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## CHINA

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## DEVELOPMENT OF U.S.-SOVIET RELATIONS IN 1980'S

Beijing MEIGUO YANJIU [AMERICAN STUDIES] in Chinese No 1, Spring 87 pp 69-78

[Article by Zhang Yeba [1728 0048 4101], [specialist in U.S.-Soviet relations, head of U.S. Foreign Policy Division, Institute of American Studies, CASS]: "The Evolution of U.S.-Soviet Relations in Recent Decades"]

[Text] The development of U.S.-Soviet relations after World War II can roughly be divided into three stages: the "Cold War" era from the end of the war to the late 1960's, "detente" from the late 1960's to late 1970's, and a sharp confrontation in the 1980's, known in the United States as the "second Cold War" or the "new Cold War."

It is not accidental that fierce U.S.-Soviet rivalry revived in the 1980's. In fact, as early as the mid-1970's, superpower "detente" was on the wane. Taking advantage of the decline in U.S. power and its global retreat following the end of the Vietnam War, the Soviet Union accelerated its arms buildup, on the one hand, and intensified its expansion in the Third World, on the other, thereby encroaching on vital U.S. interests. It should be said that even in the "detente" years, U.S.-Soviet relations were both competition and cooperation. As the Soviet Union stepped up its expansion in the late 1970's, its rivalry with the United States intensified further. In late 1979, when the Soviet Union invaded Afghanistan, a major change occurred in U.S.-Soviet relations as the two countries entered a new phase of bitter conflict.

U.S.-Soviet relations have gone through two stages in the 1980's.

From 1980 through 1984, the superpowers were locked in a fierce struggle and bilateral relations were in a deep freeze. With the Soviet invasion of Afghanistan in mind, the United States put forward the "Carter Doctrine" in 1980, sought to contain Soviet anew and began to beef up military spending substantially to boost its military prowess. At the same time, the Carter Administration imposed sanctions on the Soviet Union for invading Afghanistan, including boycotting the 1980 Olympic Games in Moscow, banning grain exports to the Soviet Union, and shelving the ratification of the Salt II treaty. This sharp setback in U.S.-Soviet relations ended the "detente" of the 1970's and ushered in a new stage in bilateral relations dominated by conflicts and antagonism.

After it came into power, the Reagan Administration further stiffened the U.S. position and emphasized "peace through strength." First, it pushed vigorously for economic revival. Over the past several years, the United States narrowed the Soviet lead in conventional military forces. The Reagan Administration insisted on deploying in Western Europe as planned a new generation of medium-range guided missiles and quickened its pace in the strategic arms race. Not only did the United States go ahead with plans to produce MX missiles, but it also raced to develop space weapons and came up with the "Strategic Defense Initiative" [SDI] program. During Reagan's first term, the ideological tone of the U.S.-Soviet confrontation deepened: Their war of words escalated and the cold war atmosphere thickened. Reacting to a United States which played tough, the Soviet Union behaved likewise and refused to budge or to compromise. In the early 1980's, a grave leadership crisis gripped the Soviet Union. Frequent changes in Soviet leadership lent an additional element of uncertainty and instability to U.S.-Soviet relations. During this period, as a result of both internal and external pressures, both sides did make gestures signifying a willingness to improve relations. But sudden events like the shooting down of a civilian airliner by the Soviets and the invasion of Grenada by the United States nipped any momentum for better relations in the bud. Bilateral relations cooled even further when NATO deployed a new generation of medium-range guided missiles in Western Europe as planned, leading the Soviet Union to suspend arms talks with the United States in November 1983. When the Soviet Union boycotted the Olympic Games in Los Angeles in 1984, relations between the two nations almost dropped to the "lowest point since the Cuban missile crisis of 1962." For almost 5 years, fierce U.S.-Soviet confrontation and the freeze in their relations cast a shadow on the international stage and caused widespread concern in world opinion.

Since the beginning of Reagan's second term and the coming to power of Gorbachev, U.S.-Soviet relations have entered a new stage of dialogue as well as confrontation. Reagan's meeting with Gromyko in September 1984, as his first term was about to draw to a close, slightly eased the strain in their relations. Although the meeting served Reagan's purpose of winning re-election, it nevertheless showed that the United States was beginning to modify its Soviet policy and that the Soviet Union did not want to leave itself with no maneuvering room, either. By late 1984, as it became increasingly clear that Reagan was headed for a second term, bilateral relations took a turn for the better. Both sides decided to re-open arms talks, giving a nervous world opinion a ray of hope.

In March 1985, the United States and Soviet Union resumed arms talks in Geneva. In May, they opened trade talks in Moscow. In November, their heads of government met. While this meeting failed to produce any agreement on arms reduction, it thawed a long frozen relationship. It was decided that the two leaders would visit each other and that a range of bilateral talks would proceed systematically. The thaw was also felt in bilateral economic relations, trade, and cultural exchange. Although U.S.-Soviet relations were strained on several occasions last year, they kept talking to each other. Moreover, their leaders met for a second time. It seems that the U.S.-Soviet dialogue would continue.

This new transformation in U.S.-Soviet relations is naturally the result of several reasons, primarily the need by both sides to relax bilateral relations.

From the U.S. perspective, the change in the relative strength of the two nations over the past 4 years has given it an edge in negotiations with the Soviet Union. Nevertheless, after several years of sustained economic growth and facing a hefty budget deficit, the United States cannot keep increasing military spending by wide margins. Congressional restraint in this area has left the Reagan Administration no choice but to seek better relations with the Soviet Union to lessen the military burden. Allies' pressure also compelled the United States to improve relations with the Soviet Union. Reagan's lack of interest in negotiations in his first term strained U.S.-Europe relations temporarily. Thus the United States decided to talk to the Soviet Union as a necessary way of silencing criticisms from the allies and preserving NATO unity. Reagan may belong to the right wing of the Republican Party, but after years of practice, he has begun to make his foreign policy realistic and flexible. In his dealings with the Soviet Union, he is gradually drawing closer to the moderates' line.

As for the Soviet Union, it entered a difficult time beginning with Brezhnev's last days. Economic growth languished and an aging leadership presented the nation with a political crisis. Internationally, the U.S. military buildup dealt a blow to its expansionist plans. It was saddled with a heavy burden--the invasion of Afghanistan--and was isolated in the world. In the 1980's, the Soviet Union faces a new round of arms race and several challenges, notably the "Star Wars" program, the new global high tech revolution, and economic reform in China and countries in Eastern Europe. All that generated a sense of urgency about reform in the Soviet Union, which was acutely felt even in the age of Andropov. This sense of urgency was heightened after Gorbachev came into office. He shifted much of his attention to domestic issues, accelerated economic development, and carried out reforms. Under these circumstances, the Soviet Union cannot but make corresponding changes in its U.S. policy, replacing old rigidity and inflexibility with a new measure of flexibility.

Certainly, there is a limit to the thaw in superpower relations. Sharp antagonism remains between them, whether in arms control or in regional conflicts. Owing to longstanding mutual distrust and hostility, an already fragile relationship often proves vulnerable to any sudden event. The spy war that broke out between the two countries last year briefly strained relations and threatened to torpedo the summit meeting between their heads of government. In short, while the Reagan Administration has modified its Soviet policy, it has not softened its stand toward that country. Its basic policy remains to keep up pressures on it in all areas in order to extract an agreement favorable to itself. Gorbachev indeed hopes to improve relations with the United States and has made Soviet foreign policy more pragmatic and flexible. But he has not abandoned the strategic goal of competing for hegemony with the United States. Nor is he willing to sacrifice vested interests as a price. Antagonism continues between the two nations, but compared to the deep freeze of the past and the purely confrontational nature

of their relationship, things have really changed. It may be said that the two nations have entered a new stage when they talk as well as compete.

A number of characteristics differentiate U.S.-Soviet relations in the 1980's from that in the 1970's.

First, the balance of power between them has tipped in favor of the United States.

From the 1950's to mid-1970's, the Soviet economy grew briskly and the nation began to narrow its economic gap with the United States. In the late 1970's, the Soviet economy started to lose steam, but its military buildup continued apace. Historically, the Soviet way was to go all out to develop its military, no matter how massive the economic difficulties, in order to maintain its superpower status. Meanwhile, the United States declined both militarily and economically in the 1970's compared to the past. As a result, the Soviet Union became relatively stronger and the trend in their comparative strength was unfavorable to the United States.

With its economy rebounding in the 1980's, the United States embarked on a large military buildup plan to regain its military muscle. On the other hand, the weaknesses of the Soviet Union became more and more visible owing to its economic troubles. The trend in comparative strength turned to the advantage of the United States. As we all know, the cornerstone of Soviet power is military might, not political or economic strength. The influence of the Soviet economy is extremely limited and is way behind that of the U.S. economy in such areas as foreign trade, technical transformation, foreign investment, and economic aid. The Soviet political and economic models have become increasingly unattractive. More and more, even nations within the "extended socialist family" have been exploring development approaches other than the Soviet way. If we compare the overall strength of the two nations in the 1980's with the previous decade, the Soviet Union has clearly fallen behind.

Needless to say, changes in comparative strength do not mean that the parity between the two that came into existence in the late 1960's has been destroyed. Comparative strength has shifted in favor of the United States, but the overall situation remains one of parity.

Second, the strategies of the two nations have changed as they vie for hegemony in the 1980's. From being on the defensive strategically in the 1970's, the United States has taken the offensive and been aggressive in the 1980's, whereas the Soviet Union has been forced to moderate its expansionary conduct and finds itself in a defensive, reactive situation.

The 1980's have been "golden years" for the U.S. economy, the like of which has seldom been seen since World War II. Reagan has rebuilt the U.S. military machine. As the legacy of the Vietnam War and the Watergate incident receded, mainstream public opinion, which had demanded a reduction in overseas U.S. presence in the past, now backs new "international obligations," a situation conducive to Reagan's taking a tough line toward the Soviet Union. In its rivalry with the Soviet Union, the United States has been "taking the offensive," as manifested notably by the "Reagan Doctrine," which goes beyond

the traditional concept of "containment." Under the "Reagan Doctrine," not only must Soviet expansion be checked, but "its sphere of influence must also be rolled back to its own territory." Compared to the old "containment policy," the "Reagan Doctrine" is clearly offensive.

As it entered the 1980's, the Soviet Union has become acutely aware of its glaring economic and technological backwardness. To continue competing with the United States, it needs a breathing space. Over the past few years, its attention has shifted more to domestic matters. Its strategic philosophy, whose goal used to be military superiority, now seeks to preserve military parity. The Soviet global strategic posture was relentlessly aggressive. Today that has been replaced by limited retrenchment coupled with efforts to keep the turf it has won in the 1970's. Interestingly, in the past U.S.-supported governments were often challenged by Soviet-supported guerrillas. Now that has changed: today it is U.S.-supported guerrillas who challenge Soviet-supported governments.

Be that as it may, changes in their strategic positions cannot be summed up as "U.S. on the offensive and the Soviet Union on the defensive." It is true that in the 1980's, the United States more often takes the initiative to advance aggressively, while the Soviet Union has restrained itself somewhat. On the whole, however, both have been on the defensive and offensive. The United States is playing tougher than it did in the 1970's, but only up to a point. For instance, it has run into trouble in implementing the "Reagan Doctrine." The Soviet Union, for its part, is far from being a weakling. Its retreat has been a qualified one and it has been tough as well as flexible. The Soviet Union will not give up its fundamental interests in its struggle with the United States.

Third, the arena of U.S.-Soviet rivalry in the 1980's has been expanded. It is a struggle at many levels, with both sides pursuing more long-term objectives.

U.S.-Soviet struggle in the 1970's was mainly a bid for military superiority and a push to expand their spheres of influence in the Third World. It was essentially a military struggle. Since 1980, as the superpower strategic impasse persisted, U.S.-Soviet competition has inevitably found expression at deeper levels and in a wider area, primarily through SDI, which both sides are pursuing. This plan is military, political, economic as well as technological, and has far-reaching significance.

The Soviet strategy of the United States is to spur economic and technical development through SDI so as to consolidate its economic and technological lead as a way of achieving superiority over the Soviet Union. For a long time to come, however, SDI will not be a viable reality. Accordingly, apart from zeroing in on the Soviet Union's weaknesses at the moment and denying it any breathing room, thereby undermining its economy, the United States also has a long-term objective, namely, vying for supremacy in the 21st century.

After Gorbachev ascended to power, the Soviet Union has adjusted both domestic and foreign policies to speed up economic growth and compete with the United States. It has been hard at work implementing its own space weapons program,

having embarked on it earlier than the United States. The Soviet Union is opposed to the U.S. "Star Wars" program because of the backward state of its space technology and its intention to cover up its own "Star Wars" designs.

Fourth, the focus of U.S.-Soviet rivalry is gradually shifting from Europe to Asia.

At present, Europe remains the center of gravity in the global strategies of the U.S. and the Soviet Union, the main battlefield in their struggle for hegemony. Two-thirds of Soviet military forces are deployed in the European part of the country, while U.S. military forces are also concentrated in Europe. Militarily, politically, or economically, Europe is where the most vital interests of the Soviet Union and the United States lie. But the two countries are currently in a stalemate in Europe. Their spheres of influence being clearly demarcated, neither dare take the risk of disturbing the status quo. Since there is hardly any room in Europe where they can maneuver, it is inevitable for the focal point of conflict to move to other regions.

In recent years, economies in the Asian Pacific region have developed by leaps and bounds, turning the area into the most economically dynamic in the world today--and tremendously attractive to the superpowers. Within the United States, population movement to the West accelerated in the 1980's and the shift of the political and economic center of the nation toward the Pacific Ocean got under way. After Reagan came into power, the United States has shown increasing attention to Asia. The right wing of the Republican Party has historically taken Asia very seriously. "America's future lies in the Pacific Ocean," a slogan put forward by Reagan, contrasts sharply with the "Nixon Doctrine" of the 1970's, which called for U.S. withdrawal from Asia, and signals a new U.S. determination to return to that continent. Soviet interest in Asia has also been rising steadily in the 1980's. While the country has negligible economic influence in the region at the moment and cannot compare with the U.S. politically, its military strength there has increased sharply and is roughly on a par with the United States. Gorbachev's speech in Vladivostok last July shows that the Soviet Union is further adjusting its Asian strategy and plans to play a more important role in the Asian Pacific region. It may be said that both nations have their eyes on Asia, making it a new cockpit in the superpower struggle.

Fifth, as forces restraining war have grown even more, U.S.-Soviet competition necessarily became subject to many more factors. The prospects for peace are now much better than before.

The postwar world abounded with all kinds of conflicts and confrontations and witnessed countless wars, big and small. For years after the war, the United States and Soviet Union were in a state of heightened hostility toward one another, at times tottering at the brink of a nuclear war. Yet, in the 4 decades since the war ended, no world war has occurred. Nor have the two superpowers directly clashed militarily. This is due to the balance of power between them during most of the postwar years. In particular, the so-called "balance of terror," the product of their nuclear arsenals, makes both sides think twice before unleashing a war. Moreover, multi-polarization in the

postwar world has been a powerful restraining effect, checking superpower confrontation.

Forces in restraint of war have grown even stronger in the 1980's. The tendency toward independence continues to gain momentum in Western Europe. Besides demanding that the two superpowers engage in a serious dialogue to relax tension, Western Europe has criticized many U.S. policies, particularly those in the Third World. As they turn to reform, countries in Eastern Europe more and more want to unburden themselves of the Soviet model. Between Western and Eastern Europe, there is a rising demand for economic and political relations with each other, a major barrier to a U.S.-Soviet conflict. By pursuing modernization, China is becoming stronger by the day and its independent foreign policy makes it a significant force in maintaining peace. The vast number of Third World nations are also becoming more demanding in national economic development and in safeguarding their independence and sovereignty. As a result, the superpowers find themselves in tight spots as they fight for supremacy around the world. The way the situation is developing makes peoples of the world hopeful about a sustained peaceful international environment.

Even as we see the promising prospects for peace, we should not ignore its fragility. The two superpowers, which are best qualified to launch a big war, are still antagonistic toward each other, armed to the teeth and locked in a ferocious struggle. The arms race is escalating endlessly. The danger of war is far from over.

Where are U.S.-Soviet relations headed in the last 3 years of the 1980's and beyond?

Most people expect the military balance to continue to tip in favor of the United States. At the 27th Congress of the Communist Party of the Soviet Union, the Soviet Union proposed an "accelerated strategy" and is increasingly turning its attention to economic vitalization. Still, it is all but impossible to repeat the economic growth rate before the mid-1970's. Reform in the Soviet Union meets stiff resistance from a bureaucratic system with its layer upon layer of restraints. Moreover, economic reform must be supplemented by political reform, an area where the Soviet Union will not make much headway. The United States, on the other hand, may use its technical superiority and the SDI to fuel economic growth so as to consolidate the edge it now has over the Soviet Union. However, the balance of power between the two is not expected to undergo a fundamental change in the foreseeable future: Either will find it difficult to upset the military parity between them. While the Soviet Union faces all kinds of problems, its economic strength should not be underestimated. After assuming office, Gorbachev, bursting with ambition, has shaken up the leadership and formulated a set of new policies. Thus the possibility that the Soviet economy may experience a new spurt of life cannot be ruled out. In the United States, cyclical booms and busts remain unavoidable, which means that economic growth cannot be sustained. Consequently, the balance of power between the two countries will largely be maintained in the future, slightly to the advantage of the United States, and the strength of the two nations will essentially increase at the same pace. The Soviet Union, which is also conducting its own SDI, will not sit idly by

and let the United States capture military superiority. It will match the United States militarily no matter what, even if that means belt-tightening.

Strategically, both will be on the defensive and take the offensive. Under the "Reagan Doctrine," the United States is keen to make progress in regional conflicts, but the doctrine has sweepingly broad objectives that cannot be achieved overnight. Besides, the Soviet Union will never make concessions. Even under limited retrenchment, it will hang onto whatever beachheads it has taken. The United States and Soviet Union will continue their tug-of-war in the Third World, doing their utmost to expand their spheres of influence and power. The United States is expected to take the offensive more often, while the Soviet Union will be on the defensive and find itself in a passive situation more of the time. It seems that the United States will continue to "keep up pressure" on the Soviet Union for some time to come in an attempt to wring concessions from it. Be that as it may, since both nations have problems of their own, their offensives will be limited. Neither will be able to launch an all-out offensive on a sustained basis and make significant gains.

As the cockpit of U.S.-Soviet rivalry keeps shifting to Asia, superpower confrontation in the area will correspondingly heat up more violently than elsewhere. The thrust of the overhauled Asian policy of the Soviet Union is to step up political, economic, and other activities to match its military strength and, through improved relations with the two Asian powers, China and Japan, and other countries in the area, launch a "circuitous attack" on the United States. The idea is to improve its situation in the Asian Pacific area and strengthen its position in its rivalry with the United States. By reshaping its Asian policy, the Soviet Union may influence the superpower confrontation in the region in new ways. In the future, the Soviet Union and the United States will intensify the combined use of political, economic, and diplomatic strategies, backed up by military forces. It will not work for the United States to try to check the Soviet Union by military means alone. But superpower competition in the Asian Pacific region is not poised on the edge of military conflict. For some time to come, the region will remain relatively stable.

The general trend in the world today is toward the continuous growth of forces for peace and a gradual relaxation of tension between the powers. In the future the Soviet Union and the United States will continue to talk to each other even as they compete. There is a need for both of them to reduce superpower tension. The Soviet Union is burdened with domestic tasks and faces economic difficulties unsolvable in the short run. It is estimated that it needs a 10- to 15-year breathing spell to catch up with the United States in the 21st century. Thus the Soviet Union will be more pragmatic in its foreign policy, adopt a more flexible attitude toward the United States, and make more concessions. The United States is in an advantageous position, but a downturn in economic growth and massive budget deficits have prevented it from increasing military spending as rapidly as it did in the early 1980's. The "Star Wars" program will remain in a feasibility-study stage for quite some time to come. The Iran arms scandal, which broke not long ago, may have a negative influence on the execution of Reagan's foreign policy. Pressure from allies, Reagan's own political interests, and the fact that 1988 is a general election year all combine to demand that the United States improve

relations with the Soviet Union. The Iceland summit meeting last year may have broken down, but the two nations are getting closer on such issues as medium-range guided missiles and strategic weapons. Moreover, both countries have left some leeway and have not closed the door on future talks. The U.S.-Soviet dialogue will continue. Expectations are that they will reach some sort of agreement after tough bargaining. But there is a limit to the thaw in U.S.-Soviet relations and arms control negotiations promise to be a long-drawn-out process. Neither the United States nor the Soviet Union is prepared to make major unilateral concessions so as not to sacrifice its own security interests. Even if some agreement is reached, it will not slow down the arms race in a fundamental way, let alone turn the clock back to the "detente" of the 1970's. In addition, the relaxation of tension is frequently vulnerable to sudden twists in events. To sum up, U.S.-Soviet conflicts will go on. Tension and antagonisms will continue to dominate bilateral relations. They will continue to compete fiercely, but with more flexible means and strategies than in the past in order to seize the initiative. The relationship will be alternately strained and relaxed as both nations keep up a dialogue even as they confront each other, and pursue relaxation amid tension.

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## EFFECT OF TECHNOLOGICAL REVOLUTION ON ARMS RACE, CONTROL

Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 24, 16 Dec 86 pp 2-4

[Article by Guo Zhenyuan [6753 7201 6678]: "The New Technological Revolution and the Arms Race and Arms Control"; first paragraph is SHIJIE ZHISHI-supplied introduction]

[Text] The development of the scientific and technological revolution has produced three qualitative leaps in the postwar arms race, these new technologies affect the arms race. This is an important reason that arms control has continued for 40 years without suspension. Technology is developing, and the arms race not only will enter strategic defense and outer space, and will be carried out centering on making offensive strategic nuclear weapons more mobile and more accurate, but also there will appear new domains in the race. The deterrent force of the future will not be a single nuclear weapon, but will be a combination of various kinds of weapon systems. However, conversely, the development of technology can restrain the development of weapons, and it provides a faint hope for arms control.

Currently, the relationships between the new technological revolution and the arms race and the relations between it and arms control are more and more drawing people's attention and study. The former relates to mankind's progress and development; the latter relates to mankind's survival and security. As two independent questions, they have their respective laws of development and influencing factors, but between them there exists a particularly close relationship, and in a certain sense they are inseparable "symbionts." Their mutual effect affects mankind's survival and security today and in the future.

The Scientific and Technological Revolution and the Escalation of the Arms Race

In the 40 postwar years, there have already been three distinct qualitative leaps in the arms race.

After World War II, conventional military forces were still maintained in enormous numbers, and they were an important bargaining counter in the arms race. However, they are no longer the principal part of the arms race. The nuclear weapons developed on the basis of nuclear science and nuclear technology opened a new curtain in the arms race, and caused a major

qualitative escalation in the arms race since the end of the 19th century. In the first 10 years after the war, the atomic bomb and hydrogen bomb--nuclear weapons--became the main part of the arms race, and the United States and the Soviet Union competed with each other in making and developing nuclear weapons. In the first half of this period, their competition centered on striving to maintain, and striving as fast as possible to break, the monopoly of nuclear weapons, and in the latter half of this period the competition changed direction to quantity.

Symbolized by the Soviet Union's launching of the world's first artificial earth satellite in October 1957, on the basis of the rapid development of rocket technology in the late forties, there occurred the second major qualitative escalation in the arms race. In the 20 years from the end of the fifties to the end of the seventies, the Soviet Union and the United States competed in developing various kinds of offensive nuclear weapons comprised of warheads and their means of delivery, in particular strategic nuclear weapons that possess an intercontinental strike capacity, and this became the main part of the arms race. Because the United States and the Soviet Union at almost the same time successfully developed long-range and intercontinental missiles, in the first 10 years of this period the competition mainly centered on increasing the numbers. In the last 10 years of this period, because of the development of rocket technology, and particularly computer technology, the competition gradually shifted in the direction of the quality of the missiles; like the development of the multiple independently targeted reentry vehicle--MIRV--the improved missile strike accuracy, solid-fuel rocket, cruise missile, and submarine-launched missile.

After the eighties began, there was a comprehensive development of spaceflight technology, computer technology, optical engineering, as well as new-type materials and other new technologies. On the basis of these technologies, there appeared the third major qualitative escalation in the arms race. With the setting up of an effective antistrategic missile system--strategic defense system--and the militarization of outer space as its basic content, at the same time it includes the high tech transformation of conventional weapons. In the early seventies, the United States and the Soviet Union both attempted to set up antimissile systems, but because they were limited to the technological level at that time they did not obtain major progress. Technological developments have laid a foundation for setting up effective antimissile systems. Therefore, the United States first set forth in 1983 the "Strategic Defense Initiative"--SDI. The Soviet Union on the one hand strongly opposes SDI and on the other hand is getting a tight grip on the development of its own antimissile system.

In addition, the development of new technologies promotes the qualitative escalation of conventional arms and the development of military strategy. It may be said that every renewal and replacement in weapons and equipment causes a major change in military strategy. From the "massive retaliation" in the fifties to the "limited strikes" and "flexible response" of the sixties, to the "mutually assured destruction" of the seventies, and finally to the "high frontier" and "low-intensity warfare" of the eighties, not one of these U.S. policies was not produced and changed in accompaniment with every escalation in the arms race.

## The New Technological Revolution Provides a Faint Hope for Arms Control

Arms race and arms control are twin brothers. In postwar arms control there are several noteworthy characteristics. First, it has continued for a long time. If one takes the UN General Assembly's setting up of the UN Atomic Energy Committee in 1946 and its setting up of the UN Conventional Arms Committee in 1947 as the starting points for postwar arms control, then there is now a 40-year history of postwar arms control. The arms control of the twenties, from the beginning of preparatory talks to final failure, lasted no more than about 10 years. Second, the subjects it involves are extremely diverse. There are 10 major categories, including strategic nuclear weapons, medium-range nuclear weapons, chemical weapons, biological weapons, conventional arms, antimissile systems, and strategic defense systems. The arms control of the twenties was mainly the control of naval arms (stipulating the ratio of ship types built and tonnage). Third, progress in arms control markedly lags behind progress in the arms race. Postwar arms control has basically been carried out in accordance with this kind of pattern, namely, with an escalation in the arms race there developed an arms control and then a new arms race. Therefore, postwar arms control has only been a matter of working out rules for the arms race, and there have been extremely few cases of true reduction of arms or weakening of the momentum of the race. This point is fully reflected in the nearly 20 agreements, treaties, and rules reached in postwar arms control.

The abovementioned characteristics of postwar arms control fully reflect the intention of the United States and the Soviet Union to attempt, through arms control, to weaken the other side and strengthen one's own side's position. Therefore, in the world more and more people are feeling a sense of disappointment in arms control. However, we also should see that, although there have been rises and falls in postwar arms control, it, from first to last, has not been suspended. This shows that there exist factors for controlling the arms race, and the development of new technologies is an extremely important factor among them.

First of all, while the scientific and technological revolution is causing the arms race to reach an unprecedented degree of intensity, it also makes it very difficult for any country to endure a large-scale war with high-tech weapon systems as its means. This is an important reason that the world has not fallen into a new world war, and it is also the most fundamental reason that postwar arms control has continued for 40 years. Please note that nuclear weapons possess unprecedentedly enormous antipersonnel power and a very long range, an extremely high degree of striking accuracy, and an extremely fast striking speed; and even conventional weapons, because of high technology, have multiplied their antipersonnel power by 10 times, to the extent that to a considerable degree they can replace tactical nuclear weapons. The result of this kind of development of weapons was to cause the United States and the Soviet Union, once they had struck each other, to possibly develop the situation into a plight that the two sides could not repair. America and the Soviet Union now have more than 26,000 (4.741 billion tons in total equivalence) and more than 22,000 (7.25 billion tons in total equivalence) nuclear warheads respectively, and also they are being constantly developed.

However, this, on the contrary, makes them unable to be used: whoever uses them will destroy himself. Therefore, there must be arms control, and it forms an indivisible bond with the high-tech arms race.

Second, the cost of the high-tech arms race is unprecedentedly high. This is a heavy burden that any country would find difficult to bear for a long time, and it also provides incentive for pursuing arms control. In 1985, America's military expenditure was \$264.4 billion, accounting for 6.8 percent of the gross national product and 28.6 percent of the federal budget, and military research and development costs accounted for 64.4 percent of the government's research and development costs. In the same period the Soviet Union's military expenditure was \$160 billion, accounting for 14-15 percent of the gross national product and for 40 percent of the financial expenditure; the cost of military research and development accounted for more than 50 percent of the total research and development cost.

Third, the development of the new technological revolution is providing more and more variety for arms control, and more and more technical means of verification for it. This is also favorable for arms control. On the question of verification, even though, for political reasons, each side sticks to its own position, in reality each side possesses the technical means to ascertain the other side's arms situation, and this is favorable for arms control.

This writer thinks that, precisely because of the development of the new technological revolution, there are some faint hopes today for arms control. However, the effect of the new technological revolution on arms control is fairly small compared with its stimulating and driving effect on the arms race, and also it is passive.

#### The New Technological Revolution and the Arms Race and Arms Control in the Future

After the middle seventies, particularly since the eighties began, the new technological revolution developed swiftly in depth and breadth. This caused military high science and technology, which is in the forward domain of the new technologies, to expand.

First, the deepening of the new technological revolution will cause the quality aspect and the effect range of the future arms race to continue to escalate. Strategic defense and the militarization of outer space will be imperative under the circumstances. It is estimated that in the nineties militarily there will be the initial technical capability to discover, track, and destroy offensive strategic nuclear weapons, and there will be the technical capability to deploy in outer space military installations that have the initial capacity for actual combat.

Second, offensive nuclear weapons will more comprehensively and practically be made mobile and accurate. It is estimated that in the nineties America's MX missile and Midgetman missile and the Soviet Union's SS-24 and SS-25 missiles will be deployed in large numbers, becoming the main part of their nuclear strike forces.

Third, the transformation by high technology of conventional arms (including weapon systems, command and communications systems, and logistics systems) will become an important part of the arms race. In the next dozen or so years, the basic parts of the transformation of conventional arms by high technology will be the comprehensive application of C3I systems, the speed of precision-guided weapons, and the development of conventional warhead missiles. High technology conventional weapon systems can attain the antipersonnel power of tactical nuclear weapons, and they could, within the scope of tactics and campaign operations, replace nuclear weapons, thus raising the "nuclear threshold."

Fourth, there will appear certain new domains in the arms race, and they could become the main parts of the arms race. There are three particularly noteworthy domains. One is that, following the rapid development of bioengineering, the question of biological weapons could once again appear in the arms race, like the "super germ" produced by gene reformation. One is that, following the development of the techniques of oceanographic engineering, the militarization of the oceans, particularly the ocean floor, will, after the militarization of outer space, be very quickly put on the agenda. One is that, following the development of robot technology, robots will be widely used in the military domain, including in operations.

Fifth, the escalation in the scope of the arms race is mainly reflected in the fact that more and more countries are taking part in the new technological revolution and getting military high technologies, thereby making it possible for the arms race to spread to a larger scope. What is of most immediate significance is the question of the proliferation of nuclear weapons. According to estimates, about a dozen countries have mastered the technology for producing nuclear weapons, and nearly 10 countries possess the technical capability to launch medium-range rockets. By the end of this century, more than 30 countries will have mastered the technology for producing nuclear weapons. In addition, an extremely practical problem is proliferation of high-tech conventional arms through the munitions trade.

Therefore, from just the above points, they do not allow optimism about the prospects for arms control in the future. What is noteworthy is that the development of the new technological revolution has already demonstrated extremely clearly that in the future scientific and technological forces, together with economic and military forces, will become the main component part of a country's strength and also will become a more important part than the latter two forces. In certain aspects and to a certain degree, the scientific and technological race has already replaced the important position of the arms race.

Another significant point in the new technological revolution for arms control is that its development makes it technically possible for arms control in certain fields to be achieved to a certain degree. In particular it should be seen that, in the next dozen or so years, following the development of other weapons, the position of nuclear weapons as the only deterrent force has already been greatly weakened, and therefore there is the possibility that they will be controlled to a certain degree, and even reduced in number. The

deterrent forces of the future will no longer be simply nuclear weapons, but will be comprehensively composed of several kinds of weapon systems. Therefore, while the performance of nuclear weapons continues to be improved, the control, and even reduction, of the enormous numbers of nuclear weapons not only will not weaken U.S. and Soviet military forces, but also will be favorable to their putting forth effort to develop other weapons systems, thereby enhancing their military strength. Therefore, it is highly probable that in the next dozen or so years an agreement to control nuclear weapons will be reached. It is very likely that a U.S.-Soviet agreement to limit medium-range missiles will be reached quickly, after which it is also very likely that a certain kind of agreement to limit offensive strategic nuclear weapons will also be reached.

To sum up, it may be said that, under the influence of the development of the new technological revolution, there will in the future appear a more complex situation than in the past and at present in the arms race and arms control.

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CSO: 4005/738

## AMERICAN STUDIES THRIVE WITH OPENING TO OUTSIDE WORLD

Beijing MEIGUO YANJIU [AMERICAN STUDIES] in Chinese No 1 Spring 87 pp 7-20

[Article by Zi Zhongyun [6327 0022 4596] [deputy director of the Institute of American Studies, CASS]: "The Evolution of American Studies in China"]

[Text] China and the United States are located in the East and West, respectively, and separated from each other by an ocean. An early Chinese who was aware of this geographical fact described it thus in a poem: "The hearts are in opposite sides of the globe. The wind is blowing across the sea for 10,000 li." (Footnote 1) (Written by someone who signed himself "Yu Mei Shou Xun" after reading "Travels to the Western Sea," by Lin Zhen of the Qing Dynasty. Quoted in "Going to the World," by Zhong Shuhe [6988 0647 3109], 1985 edition, Zhonghua Bookstore, p 59.) Not great poetry, but what it said was true enough. In history, culture, social mores, and customs as well as past and present political systems and economic conditions, the two are miles apart. But the U.S. occupies a dominant position in China's foreign relations in modern history, exercising on China a multifaceted impact that cannot be ignored. Perhaps it is exactly the differences between the two nations that have attracted generation after generation of intellectuals to explore and study the U.S. But although Chinese intellectuals ahead of their times showed an interest in studying America more than 100 years ago, for various reasons it is only in the past 10 years that systematic, comprehensive academic American studies materialized.

The story from the mid-19th century to the present can be divided into three stages.

1. The Century before the Founding of New China

Studies by historians show that the first Chinese arrived in America before the American War of Independence. But it was only after the Wang Xia Treaty of 1844 that intellectuals went to the United States and left a written record. From what is known so far, "Travels to the Western Sea," by Lin Zhen, a Fujianese who went to work in the United States in 1847, must be regarded as the first written work. An anthology with a long introduction in the rhythmical prose style, it first came out in a block printed edition in 1849. It was followed by "The First Envoy to the Occident" by You Zhigang,

"Travels in Europe and America" and "Strange Stories Twice Told" by Zhang Deyu, and "Western Learning Comes to the East" by Rong Hong, to name a few. No doubt these early accounts of travel in and commentaries on America appear superficial today and contain many errors and even ludicrous ideas. At the time, however, they served to broaden people's outlook. No longer "looking at the sky from the bottom of a well," the writers now "measured the sea with an oyster." The readers, on their part, bemoaned "being confined to a small room, spending all their lives in the same house, not knowing how big the world is, not knowing what exists outside China." (Footnote 2) (Foreword by Wang Guangwen to "Travels to the Western Sea," p 58. Works by Lin, Zhigang, and Zhang Deyu all in "Going to the World Series," edited by Zhong Shuhe, Yuelu Shushe.) Even more important, these writers not only recorded the exotic customs and mores of a strange land, but they also covered political and economic conditions, criticized rights and wrongs, and consciously or unconsciously made cross references to China. Whatever their status and however conservative they might be to begin with, after they saw America (and Europe, of course) with their own eyes, they invariably recognized these countries strong points and came away inspired. From the reform movement at the end of the Qing Dynasty to the democratic revolution led by Sun Yatsen to the days after the "May 4 Movement," Chinese with lofty ideals looked to the West for ways to save and reform the country. As a result, American studies gained depth and became more purposeful. During this period, a number of newspapers and periodicals did much to introduce America to China. GUOMIN BAO, for instance, was the first to carry the Chinese translation of the American Declaration of Independence in its first issue in 1901. Of the many outstanding publications that have contributed to an understanding of America since the early 20th century, DONGFANG ZAZHI arguably stood alone. In the several decades from its creation in 1904 to its relocation to Taiwan in 1949, it published a vast number of articles on the United States dealing with such aspects as its political system, political parties, the economy, finance, society, industry, agriculture, diplomacy, military affairs, culture, and personalities. Its subject matter ranged far and wide, from the trivial--"how cottonseed oil is produced in the United States"--to the vital--"comparing post-revolutionary nation-building in Britain, the United States, and France." Other periodicals at the time, for example, YONGYAN and XIASHENG, also ran articles on the United States, but they did not last as long. By and large, these introductory pieces, including those in DONGFANG ZAZHI, were fragmentary and unsystematic.

Sino-U.S. relations became increasingly intimate in the 1930's, particularly after the war of resistance against the Japanese broke out. There was an explosion of writings on America in the Chinese press and magazines, but most of them were closely related to current events, while basic research was relatively lacking. Among magazines at the time, SHIJIE ZHISHI stood out on account of both quantity and influence. XIFENG ZAZHI, devoted mainly to translations of articles in Western newspapers and magazines, carried many more works on the United States than on other countries and can be considered one publication that seriously tried to present the United States to China.

Certainly China did not come to know America through newspapers and articles alone during this period. The large number of Chinese students studying in the United States, Americans operating schools and miscellaneous projects in

China, Hollywood movies, which had a monopoly on the Chinese market, and particularly the close relationship between the two nations as allies in World War II--all that heightened Chinese understanding of the United States, intellectually and emotionally. But none of this can be considered American studies as an independent discipline. In fact, from the beginning to the end of the war, American studies were limited to the piecemeal, scattered works of a handful of scholars. Moreover, they were regarded as appendages of other branches of study such as world history, philosophy, political science, economics, sociology, and so on. Hu Shi [5170 6624], for example, studied Dewey's positivism, which profoundly influenced his scholarship, and introduced it to China. He was one of the more outstanding examples. As for research institutes specializing in American studies, they simply did not exist. It may be said that among Chinese intellectuals then, a considerable number were steeped in American culture and had even accepted many American ideas and its lifestyle. But scholars who devoted themselves to American studies and could be regarded as experts were few and far between. Their understanding and presentation of America remained superficial.

Even more isolated were liberated areas under CPC leadership. The CPC attached a good deal of importance to America then, but was in no position to conduct systematic research, given the dearth of materials and data. Just about the only thing available were series on America published in individual areas. For instance, between 1947 and 1949, Taiyue Xinhua Bookstore in the Shanxi-Suiyuan liberated area published a series entitled "A Study of American Problems" which included articles on the American economic crisis, foreign policy, and the black issue, among others. In 1949, before the founding of the PRC, "American Handbook," edited by Ke Bainian [2688 2672 1628], was published in Beijing.

From the end of World War II to 1949, the United States participated in China's civil war on the side of the Kuomintang [KMT]. This peculiar circumstance turned some Chinese into United States supporters and admirers, but it also made many enemies among the Chinese. The closer we get to 1949, the stronger and more widespread anti-American sentiments became. Consequently, American studies in this period was highly politicized. The KMT's starting point was to exploit U.S. internal divisions and seek American aid, so although it had delved deeply into and understood some issues thoroughly, its work could hardly be called academic research. Within the CPC and among leftist intellectuals, the stress was on exposing and condemning the United States and hence analyzing the nature of its imperialism. "America's 60 Families" (1937) by F.E. Lundberg and "One Thousand Americans" (1947) by George Seldes, for instance, had a lasting effect on China's view of America and on American studies.

## 2. From the Founding of New China to "Ping Pong Diplomacy"

Things in general gradually returned to normal after the founding of the PRC. In conjunction with the launching of a diplomatic offensive and to meet the needs of foreign economic relations, international studies was initiated under the leadership of the central government. American studies, which was part of international studies, waxed and waned in tandem with the fortunes of international studies in China as a whole, on the one hand, and with the

special circumstances of the Sino-U.S. relationship, on the other. Like other areas in international studies, American studies was undertaken mainly as part of foreign relations work and was attached to government departments and the international departments of trade unions, youth, women's, and peace organizations and other mass organizations. In contrast, institutions of higher education were relatively inactive in this area. There were no specialized American studies institutes before 1960; usually America was taught as part of such courses as world history, world economics, and international relations. In 1956, under the aegis of the Foreign Ministry, the International Relations Research Institute was established within the Chinese Academy of Social Sciences [CASS]. (Footnote 3) (The International Relations Research Institute was the predecessor of the existing International Affairs Institute.) As China's first substantial international studies institute, it brought together a number of experts and included American studies as one of its key projects. The emphasis then was on American economic research. Research achievements largely consisted of restricted research reports. Articles for general release were carried in the institute's publication, GUOJI WENTI YANJIU. In addition, SHIJIE ZHISHI continued to print articles of a popular nature on America.

In October 1949, Shandong Xinhua Bookstore issued "The Truth About Sino-U.S. Relations," the first book published in new China about the United States. This was followed by a trickle of original and translated works. In 1950, the Beijing Joint Shenghuo-Dushu-Xinzhi Publishing Company published "The United States' Post-war Economy Analyzed." Translated from Russian, it consisted of almost 100,000 characters and was the earliest large-scale translated work. The latter half of the 1950's made marked progress over the first half in quantity and breadth of scope. Nevertheless, translated works, some of them from Russian and Japanese, far outnumbered original writings. A host of intellectuals returned from the United States in the early years of new China and became the main source of information about the United States. Help also came from American friends who have resided in China for long periods.

The world situation changed drastically in the 1960's. China's interest in the world grew steadily, the "two camps" concept began to be eroded, and the ties between China and the Third World and the West became more and more extensive. It was now objectively urgent for China to know Western nations better, including the United States. Domestically, having climbed out of the doldrums of economic troubles lasting 3 years and achieved a measure of success in getting things going again, China could now afford the energy to concern itself more with international affairs. In late 1963, therefore, acting under Chairman Mao Zedong's instruction concerning "the strengthening of studies in foreign issues," Premier Zhou Enlai personally presided over a meeting for relevant personnel and a document was issued by the State Council. Henceforth, American studies, along with other area studies, developed rapidly. Since 1964, a number of research institutes under the Department of Philosophy and Social Sciences of the Chinese Academy of Sciences (predecessor of the current CASS), such as Foreign Literature, World Economics, and World History, successively set up research offices or groups that specifically dealt with American matters. Some universities, such as Wuhan and Nankai, etc., created research offices devoted to American studies in several departments, including economics, history, literature, and philosophy. Wuhan

University set up a U.S. and Canadian economics institute. Others, like Shandong University and Huadong University, also established research offices to study American literature, economics, geography, and education. Fudan University created a department of international politics to study capitalist nations, including the United States, of course. From this point onward, the process was on in China to produce a corps of American studies researchers by discipline to augment research capacity. Books and data started to accumulate and foreign exchange allocations for this purpose were also incorporated into the state budget. The functions of the original research institutes affiliated to various government departments were adjusted and continued to grow.

But good things do not last. During the 10-year catastrophe of the Cultural Revolution, which broke in 1966, American studies, like area studies in general, were disrupted and came to a halt. A large portion of the literature and data were scattered and lost, or research institutes stopped buying them. Just about every researcher was forced to give up his work. Nevertheless, the institutes already built, the research corps already trained, the data and materials already accumulated, and the small amount of work already begun in the past few years had laid the foundation for the recovery and development of American studies in the future. Building on this foundation is very different from starting from scratch.

While American studies in China during this period matured considerably, there were definite constraints on its growth, notably the consistent isolation from and hostility toward the United States. Because of isolation, the sources of data were scarce and there was no understanding on the emotional level worth mentioning. For Chinese to study things American was like scratching an itchy foot through a boot. Because of hostility between the two nations, research was mostly conducted with an eye toward exposing and criticizing the United States. In addition, since the 1950's China's interpretation of international affairs and international studies had been strongly influenced by the Soviet Union. Many textbooks and a lot of data were translated from Russian and reflected the Soviet viewpoint of an earlier period. In the 1960's, the Soviet Union sought to ease relations with the United States and began to modify the way it saw that nation. China, meanwhile, concerned that the United States and Soviet Union would join forces against itself, opposed "U.S.-Soviet collusion to dominate the world." All this introduced an element of dogmatism into American studies at the time, making objective, comprehensive, and sober observation difficult or impossible. For instance, researchers were given to exaggerating or painting a one-sided view of the U.S. economic crisis, the control of the decision-making process in the United States by monied interests, the clout of the labor unions, and the power of the left, etc. However, it should be said that as the basis on which decisions are made at the top levels in China, it would be better if they were more objective than articles for public circulation. The higher we go, the more applicable this is. How else can we explain Chairman Mao Zedong's decision to launch "ping pong diplomacy" at the height of the Cultural Revolution?

### 3. The Beginning of the Thaw

Because of the breakthrough in Sino-U.S. relations in 1971, American studies in China recovered ahead of other area studies trampled in the Cultural Revolution. After Kissinger's secret visit to China, research resumed in a very small way as American domestic politics, foreign policy, and post-1949 Sino-U.S. relations came under scrutiny. The purpose behind this effort was clear. The circle of participants was highly restricted. Their scope of inquiry was tightly drawn. And it all took place in top secrecy.

Nixon's visit to China in 1972 and the proclamation of the "Sino-U.S. Shanghai Communique" are major turning points in the annals of Sino-U.S. history and in American studies in China. No longer was America portrayed strictly negatively from now on: Neutral, even positive reports on the situation in the United States began to appear in newspapers and magazines. Restricted publications on international affairs suddenly devoted more space to American materials. Fairbanks, Lattimore, and other Sinologists who had been persecuted and ostracized for differing with U.S. China policy in the past were invited to visit China before and after Nixon's visit, in the process reviving collective memory of and generating new interest in the history of CPC-U.S. relations in the latter part of the war of resistance. Nixon was followed to China by a rising tide of Americans from all walks of life. Now that they had the opportunity to come in direct contact with Americans after decades of isolation and hostility, Chinese eagerly set out to know America anew. At the time, wherever an American gave a talk in China, he invariably lectured to a full house. Even the contents of his talk spread far and wide. For instance, [William] Hinton, an American agricultural expert and author who zealously helped China with agricultural mechanization, gave a report describing his experience of operating the equivalent of 700 to 800 mu of land, at the same time setting aside ample time for travel and writing. This was certainly an eye opener for Chinese used to a small scale peasant economy. His report was printed and widely circulated. For a while Hinton's farm was on the lips of the leaders of numerous units across the country as well as in Beijing. Even more surprising to the Chinese was the fact that even though he owned so much land, Hinton still could not make ends meet and had to go into debt; he and his wife survived on incomes from other sources. This was totally at variance with the Chinese image of the "big landlord." This example is cited to show how little ordinary cadres, including people in leadership, knew America. As far as understanding America is concerned, this was a new enlightenment. Soon this sense of novelty was followed by a strong new desire to know everything about the United States.

By now research institutes which predated the Cultural Revolution were operating again partially, while a number of universities had set up new research sections or offices for American studies. Some of the experts in this field had been transferred back from cadre schools. But conditions were still lacking for serious, thorough, and objective American studies. Internal chaos, an abnormal political life, ideological bondage, and national isolation--all that was not over yet. Only a tiny minority of authorized organizations and individuals had access to foreign data and information. There were still all kinds of restrictions on one's thinking; certainly one hundred schools of thought were not contending. Sino-U.S. relations had not

been normalized. Instead it was in an extremely delicate stage: years of mutual hostility and prejudice cannot possibly disappear overnight. While it was Chairman Mao Zedong's own idea to establish relations with the United States, people wrongly occupying high positions at the time often opposed this policy strongly or used it as a whipping boy to further their own ulterior political purposes. The result was such absurdities as the "snail incident," which made China a laughing stock among educated people. (Footnote 4) (A delegation from the Ministry of Electronics Industry visited the United States in 1973. The host unit in the United States gave each delegation member a glass snail as souvenir. Somebody complained to Jiang Qing [3068 7230] that the United States was actually satirizing the pace of Chinese development as snail-like and accused the delegation as having lost national dignity. Jiang Qing raised a storm over this incident. Her real purpose, however, was to oppose Zhou Enlai and the government departments under him.) Needless to say, large-scale academic research of the seek-truth-from-facts variety was impossible under these circumstances. Instead, what took place was research of a very restricted type indispensable to the conduct of Sino-U.S. relations, and that under a veil of secrecy.

#### 4. The New Age and Its Characteristics

Since about 1979, Sino-U.S. relations have entered a new flourishing stage, mainly due to two major factors. One, by affirming the principle--"only practice can be the criterion of truth," the epochal 3d Plenary Session of the 11th CPC Central Committee freed the people from an ideological straitjacket, liberating their ideas in an unprecedented way. Taboos in scholarship were toppled one after another. Meanwhile, the policy of completely opening to the outside world significantly broadened people's vision and made ample data and materials hitherto unavailable now within reach. This promoted academic flowering in general. The normalization of Sino-U.S. relations and the establishment of formal diplomatic ties boosted American studies in particular. In the 7 to 8 years since then, the change in the atmosphere between the two nations, the rush of exchanges between them, and the tens of thousands of Chinese students flocking to America to study are all newly conducive to the development of American studies. During this period, not only did existing research institutes bounce back to life and become stronger, but a variety of new research organizations have also sprung up continuously, most in either one of two forms: they may be the upgraded American studies divisions or sections of old and new international affairs research institutes, or American teaching and research groups or research sections restored, strengthened, or newly established by colleges and universities in departments in the arts or separate disciplines, such as American history, American economics, or American literature, to name a few. The emerging situation objectively required American studies to become a comprehensive discipline. It was against this backdrop that the American Studies Institute of the CASS was created in May 1981, the first comprehensive interdisciplinary institute on American studies in China. The fact that it was set up within the CASS suggests that American studies has entered the orbit of social sciences as a separate discipline. Subsequently, a host of all-encompassing American studies research institutes were created one after another. The more important ones include American Studies Center (1984) at Fudan University and the American Studies Center (1986) jointly organized by Nanjing University and

the Institute for Advanced Studies in International Relations at Johns Hopkins University. Sichuan University too has set up its own American studies center. The American Historical Association, American Economics Association, and American Literary Studies Society have also been created in succession after 1979.

In quantitative terms alone, the research achievements of this period are unequalled by any other time in history. Most of them take the form of academic papers scattered in a wide assortment of magazines and journals that have sprung up like mushrooms. As for monographs, the following table is revealing (Footnote 5) (Pre-1978 data in the table are based on the "General National Bibliography," post-1979 data, on the "New National Bibliography." The scope includes philosophy, political science, economics, military affairs, literature, history, and geography):

Table 1. Number of Monographs on the U.S. Published since 1949

Years	Original Works	Translations	Total
1949-59	134	408	542
1960-65	40	390	430
1971-86	116	580	726

Even more significant is what distinguishes the substance of American studies in the new era:

1. A rigorous, seek-truth-from-facts attitude toward scholarship. As noted above, the flourishing of American studies in this period is inseparable from ideological vitalization and the renaissance in all aspects of learning, and is a result of the realization of the principle that "practice is the only criterion of truth." More and more scholars, therefore, were able to unshackle themselves of a rigid dogma in their work and adopt a scientific and analytical attitude toward a confusing array of research objects. Moreover, they have learned to say only things which they can prove and broken the bad habit of quoting out of context. In the past, there was the tendency to regard anybody who was not "for" us as "against" us, anything that was not "progressive" as "reactionary." Most scholars now agree that this was both undesirable and simplistic. In the present atmosphere, different schools of thought can be aired and compete with one another. For instance, opinion is divided, and will remain so for a long time to come, on the pros and cons of Reaganomics, the relative power of the United States and the Soviet Union, the possibility that old monied interests still dominate the United States, and the historical U.S. "open door policy" toward China. There are frequent academic seminars on American history, economic diplomacy, military strategy, literature, and so on, which do much to expedite lateral exchange among the institutes, enable scholars to "compare notes," and are clearly very useful in furthering the understanding of some issues.

2. New, ample sources of materials. American studies in the new era takes place at a time when China is opening itself completely to the outside, when the Chinese people are surging forward to face the world. The bulk of American studies personnel have the chance to visit the United States briefly

or for extended study tours to make use of U.S. information and data facilities, which are extremely sophisticated and easy to use, thereby gathering valuable materials. Second, they can exchange ideas, even engage in a battle of ideas, with their American colleagues to broaden their horizon and open up new ways of thinking. Third, they can verify book learning and theories against what they actually observe and experience. In the process, they have fundamentally brought an end to the practice in the past when they studied behind closed doors or depended on obsolete subjective knowledge or second-hand materials at best.

If we describe 1. above as a subjective factor, then 2. is an objective element. Working together, they enabled American studies to make giant strides in a short 7 to 8 years.

3. The depth and breadth of research achievements are unprecedented. Judging from what has been published, the scope of the subject matter has never been wider, a departure from the old preoccupation with politics, economics, foreign policy, and military affairs. Now all aspects are covered, including society, history, literature, education, philosophy, religion, and such new territory as social ideological trends and value systems. Even more important, people are more interested in in-depth studies, not content just to know the "what's," but also the "why's." Diplomacy research, for instance, no longer confines itself to recounting what the foreign policy was in a certain period, but also delves deeply into its historical roots, policy-making process, repercussions, and its growth and decline, etc. Also, in contrast to the past when the macro perspective was predominant, there is now a growing body of works that subject specific policies, systems, or phenomena to detailed, thorough analysis. Of course, this does not mean that macro studies have been ignored. Just the opposite is true: big topics such as America's global strategy, for instance, are very popular.

4. The growth and maturing of a corps of scholars. Never before have the ranks of American studies specialists expanded more rapidly than in recent years. Some of them are personnel who studied international affairs or were involved in foreign relations work in the past but have now concentrated on American studies. Others are scholars in other specialties who now focus on America within their own disciplines. In addition, government departments or enterprises have augmented their American studies capacity by weaving it into the fabric of their activities. There is also this new phenomenon: more and more people are engaging in American studies out of their own spontaneous interest in a private capacity, either as professionals or amateurs. Needless to say, researchers differ in the depth of their analyses and the quality of their work. In any case, the result is popularization coupled with excellence. Moreover, a corps of young and middle-aged researchers has come to the fore. In the late 1970's and early 80's, among exchange scholars between the United States and China, a striking and sad phenomenon is that the Chinese were usually much older than the Americans. Out of consideration for China's special circumstances, U.S. foundations recruiting worldwide for senior research staff under the age of 35 had to extend the age limit by 5 to 10 years when they recruited in China. Today this situation is rapidly coming to an end. At the seminar in October 1986 on the history of Sino-U.S. relations attended by young Chinese and American scholars, the Chinese, who

played a leading role at the forum, were on average a little younger than their American counterparts, something which would have been unimaginable 5 years ago. At present a host of young people are still studying or doing research at colleges and universities in the United States and China and can be expected to become a new vital force in American studies with their own crop of achievements in the not too distant future.

Certainly, comprehensive American studies by and large is still in its infancy with many imperfections. Closed archives, incomplete data, the lack of easy access to such data, inadequate cooperation and communication between units, among other things, have all put China's scholars at a disadvantage compared to their American colleagues. On a subjective level, there is much room for improvement in the caliber of specialists. Young and old scholars each have their own weaknesses. Some works still suffer from superficiality; others swing from one extreme to the other. Some people still see things in black and white. Many areas remain to be explored and many more issues have yet to be elevated to a theoretical level and understood. In addition, the relations between single-discipline studies and interdisciplinary studies have yet to be resolved satisfactorily.

##### 5. Personal Opinion of American Studies

Why do Chinese study America? What is the significance of developing American studies? Of course, the same question can be asked about studies in all social sciences, not just American studies. There is certainly nothing wrong with studying America, provided we do not do it in a narrow and short-sighted manner motivated only by a desire for quick benefits. Still, this does not totally explain why we should study it. I think we can explain the significance of American studies at three levels:

a. At a time when China is completely opening to the outside, it goes without saying it should further its understanding of the entire world. The United States is a big country with its own uniqueness and complexity. Whether as friend or foe, it has had a special relationship with China in the past. We have to continue to deal with it on a long-term basis in the future. Between us there will be pleasant cooperation and painful conflicts. Obviously, the more we understand each other, the better we will be able to handle our relationship, which is true for diplomacy, trade, and cultural exchange. This justifies American studies at the most superficial level.

b. As a superpower, the United States exercises a unique impact on the world situation. Only it and the Soviet Union, among individual nations in the world today, can influence war and peace and make their influence felt in just about every corner of the world. The international situation cannot be analyzed without an estimate of U.S. strength, intentions, strategy, tactics, and short- and long-term interests. A superficial, simplistic, and incomplete understanding of the United States will often lead to a miscalculation of the entire international situation. And to really understand U.S. foreign relations in turn requires us to understand the welter of internal factors that lie at the root of the relations. In this sense, there is a need for all-around, in-depth American studies.

c. America is a modern highly-developed nation. In history, geography, development path, and value system, among other things, it contrasts sharply with China. There is much China can learn from it as this nation gropes for a road to modernization today. Clearly whatever has proved to be deficient in America must not be duplicated here. Even among things that work in America, in fact, a majority are not necessarily transferable to China. Nevertheless, as China tries to understand itself, to know the world better, and to study the pluses and minuses of every option, it makes a lot of difference whether or not we can use America for reference and draw on its experience. If it is to vitalize the nation, the Chinese people must make themselves open-minded and receptive to new nutrients. "Looking at the sky from the bottom of a well" does not work, of course. But even "measuring the sea with an oyster," as people did in Lin Zhen's days, also falls far short. Nowadays we must be, and are, equipped to undertake in-depth studies and examine a phenomenon in its entirety. Needless to say, we must be selective and develop a capacity to assimilate. But to do that we need thorough research and not half-baked knowledge.

d. While America is part of Western civilization, it has also pursued its own special course of development. That is what makes America America. For social scientists, whose self-assigned mission is to "probe the relations between heaven and man, to understand the changes in the past and present," the United States is an extremely attractive model that is highly worthy of study. This is applicable to political science, economics, anthropology, sociology, history, and philosophy, etc. In turn, American studies itself has become an interdisciplinary specialty. As a comprehensive discipline, American studies is a novelty in China. Many problems remain to be solved and differences of interpretation still exist. But as part of the learning of the development of human society, it is a promising field.

Such is my tuppence's worth of opinion. If it proves acceptable, then we should not measure the significance of American studies in terms of its "instant results." That particular proposal in your paper does not have to be instantly adopted by policy-makers for you to be a "brain-truster." On the other hand, when you take a certain experience in the United States and directly put it to use in China, you would be serving the four modernizations. In general, there is no uniform lead time before a piece of academic research finally produces a social impact. It may be a decade or a century. "Instant results" do occur, but they are not the norm. In the final analysis, we must orient ourselves to society at large and educate the people. Like researchers in other social sciences, American studies researchers should be a "think-tank" for the whole nation. In this respect, American studies may yet contribute to China's vitalization and modernization in a fundamental way. I do not think that is asking too much.

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## HU PING REPORTS ON FUJIAN GOVERNMENT WORK

OW120900 Fuzhou FUJIAN RIBAO in Chinese 26 May 87 pp 1, 2, 3

["Up the Four Cardinal Principles, Persist in Carrying Out Reforms, Opening to the Outside World and Invigorating the Economy, and Ensure a Steady and Sustained Economic Development in Fujian--A Report on the Work of the Government Delivered by Governor Hu Ping at the Sixth Session of the Sixth Fujian Provincial People's Congress on 12 May 1987"--FUJIAN RIBAO headline]

[Text] Fellow deputies,

Entrusted by the Fujian Provincial People's Government, I now submit a report on the work of the government for examination and approval by the present session.

#### 1. The 1986 Situation and This Year's Major Tasks

The year 1986 was the first year of the Seventh 5-Year Plan. In the past year, people in Fujian adhered to the line laid down since the 3d Plenary Session of the 11th CPC Central Committee; persistently implemented the policy of carrying out reforms, opening to the outside world and invigorating the economy; worked hard; kept forging ahead; and made new achievements in all fields. The rate of economic growth stabilized in 1986, while it was excessive in the preceding 2 years. Total social output value in 1986 reached 39.794 million yuan (calculated at current prices, the same hereinafter), up 9.6 percent from 1985. Of the total social output value, the total industrial and agricultural output value was 31,217 million yuan, up 12.1 percent. Provincial income was 18,261 million yuan, an increase of 5.9 percent. A balance was maintained between revenues and expenditures.

Production developed steadily and the general supply situation improved. In 1986, our agriculture was affected by extremely severe droughts and serious cold spells in early autumn. However, we dealt with the situations promptly and adopted some policies and measures which promoted the development of the commodity economy in rural areas. The output of grain and sugarcane decreased, but the production of forestry, animal husbandry, sideline undertakings and fishery increased. In particular, production of aquatic products and fruit grew rapidly. Town and village enterprises continued to demonstrate a good trend of development and yielded a total output value of 8.2 billion yuan in 1986, a 17 percent increase over 1985. Industrial

production increased steadily, the development of light and heavy industries displayed an increasing level of coordination, and the product mix was improved. There were comparatively large increases in the output of energy, raw and semi-finished materials, and famous-brand products of good quality. Remarkable achievements were made in developing new products and new technology and in improving the quality of products. The rate of increase of export products exceeded the rate of industrial growth as a whole. Our economic efficiency improved to some extent, and the development of industrial and agricultural production somewhat improved the imbalance between general demand and general supply. The transport, post, and telecommunications departments overfulfilled the state plan, and they handled more cargo and passenger transport, more harbor loading and unloading, and more postal and telecommunications business in 1986 than in the preceding year.

The excessively rapid increases in capital construction investment and in consumption funds began to be brought under control. The investment in capital construction made by state-owned enterprises in 1986 increased 8.5 percent over 1985, and the 1986 rate of increase was a great deal lower than the 1985 rate of increase, 83.6 percent. In 1986, the construction of key projects for energy sources, transport, and raw and semi-finished materials industries was further stepped up with good results. The No 1 generator at the Zhangping Power Plant and the No 3 kiln at the Fujian Cement Plant were completed and put into operation head of schedule. The Xiamen sensitization materials project, the Shaxikou Hydroelectric Power Station project, the transformation of the Fuzhou Thermoelectric Power Plant and the Shunchang Cement Plant, and the electrification of the Yingtan-Xiamen Railroad progressed according to plan. Technological transformation was accelerated. The investment in innovation and transformation projects in 1986 rose 23.2 percent over 1985, and the 1986 investment was the largest of the last few years. A total of 791 projects were completed and put into operation, creating additional fixed assets worth more than 800 million yuan. The rate of increase in consumption funds in 1986 was lower than that of 1985.

While consolidating and assimilating what has been achieved, we continued to deepen the reform of the economic structure. As lateral economic cooperation developed in both breadth and depth, we have signed as many as 400 economic and technological cooperation contracts with other provinces. We took an important step in reforming the labor system and implemented the labor contract system in all fields. As the reform of enterprises continues, more enterprises have implemented the system of the director assuming full responsibility, and some of them have even introduced the system under which the director is held responsible for the attainment of certain objectives during his or her tenure. Progress was made in exploring ways to properly separate ownership from managerial authority. The system of leasing has been popularized among small business firms. A small number of industrial enterprises that operated with losses have been leased out. A stock system has been implemented on a trial basis among some town and village enterprises, collective enterprises and economic associations. Preliminary progress has been made in reforming the banking system in terms of the development of the monetary market and the regulation of foreign exchanges. The gradual changes

in the mechanism of economic operation will yield profound effects on Fujian's economic development.

New headway was made in opening Fujian to the outside world. Thanks to the series of policies and measures, and the great deal of work accomplished in promoting exports and foreign trade, total exports in 1986 reached \$579 million, up 17.7 percent over 1985, overfulfilling the state's export target. The business of processing materials provided by clients began to expand, and receipts from providing the processing services grew 73 percent over 1985. To encourage foreign investment, Fujian drew up 20 additional regulations to supplement the 22 promulgated by the State Council; and Fuzhou, Xiamen, Quanzhou, and Zhangzhou also formulated measures and preferential policies for the same purpose. Although the amount of foreign investments in 1986 was lower than in 1985, the capital was more rationally used; 90 percent of the investment funds were spent on expanding production and exports. In 1986, the province won 159 technical contracts, of which 122 have been applied in production. The number of contracted projects for providing cooperative labor services abroad multiplied. The money involved in the newly-signed contracts surpassed \$100 million, exceeding the total amount of the preceding 6 years. Foreign exchange earnings from tourism increased 23.1 percent, reaching \$34.9 million.

As production developed, people's living standards continued to improve. Income of people living in urban and rural areas continued to rise, and the market was brisk and active. The supply and demand of most commodities were normal, and the people's needs were basically satisfied. The rise in the retail price index was controlled within 7 percent of the plan. Savings deposits of both urban and rural residents increased greatly. By the end of 1986, the amount of savings despots had reached 6.4 billion yuan, a growth of 1,672 million yuan, or 35.1 percent, over 1985. Medical services, housing, and sanitary conditions improved. The incidence of all types of acute contagious diseases was 28 percent lower than in 1985. New successes were also achieved in family planning, and the population growth rate dropped from 12.11 per thousand in 1985 to 11.76 per thousand in 1986. Antipoverty programs began to see results. In 1986, nearly 10,000 cadres in Fujian were dispatched to assist the impoverished areas, and a total of 250 million yuan was spent on various aid-the-poor projects. Approximately one-third of the households in 11 impoverished counties and 170 impoverished townships--the first group of major recipients of assistance--escaped poverty. In 11 counties, the growth of industrial output, financial receipts, and the peasants' net per capita income exceeded the provincial average.

Guided by the resolutions of the party Central Committee and the Fujian Provincial CPC Committee on spiritual construction, governments at all levels have made great efforts to maintain political stability and unity and normal economic order, and to improve public conduct. The socialist democratic and legal systems were further strengthened. In 1986, the Fujian People's Congress Standing Committee approved and promulgated three local laws, and the Fujian Provincial Government drew up and promulgated 23 government administrative regulations. Meanwhile, the general province-wide inspection

of the enforcement of economic laws, and the legal education among the public, have heightened the concept of laws and civic consciousness among cadres and the masses. Continual efforts were made to harshly punish economic crimes and other felonies, provide comprehensive control of public order, and maintain social order.

Gratifying successes were achieved by scientific-technological and educational organs in serving economic construction. Earnestly implementing the principle of gearing science and technology to serving economic construction, the vast number of scientists and technicians have been actively engaged in tackling key scientific and technical issues and achieved fairly rapid progress in major research projects. Of Fujian's 228 prize-winning scientific and technological projects in 1986, 14 were first-time winners of state-class awards. All types of educational services continued to develop at all levels in Fujian.

Enthusiasm for schooling has been further raised as the whole society more deeply understands the importance of fundamental education through popularization and implementation of the "Compulsory Education Law." Some progress has been achieved in certain areas of educational reform, which has been launched systematically and according to plan. Enterprises in the fields of social sciences, literature and arts, publishing and press, broadcasting and television, sports and public health have made new contributions to the socialist modernization drive.

The PLA troops in Fujian Province have achieved new results in defending the nation and helping in local development. The people's police have also made great efforts to maintain social order, ensure social stability, and consolidate the people's democratic dictatorship. In the past year, the vast number of Hong Kong and Macao compatriots and overseas Chinese, who are concerned about and support the development of their hometowns, have made tremendous contributions to Fujian's economic development.

Although Fujian's overall situation in the past year was good, we must be keenly aware of the problems and difficulties that lie ahead. In the economic realm, in addition to the conspicuous problem of total demand surpassing total supply, there are still some other negative factors. These include: Too much investment being put into fixed assets; poor harvests have widened the gap between grain demand and supply; the structure of industrial production cannot meet the challenge of market demand; and economic benefits [jing ji xiao yi 4842 3444 2400 4135] of industry do not increase fast enough due to rising costs and declining profits, especially in the construction and circulation sphere. Our provincial finances, although balanced through the common efforts of everyone and with the support of the central authorities, are still very difficult. Some places are short of foreign exchange while some others do not utilize theirs well; prices of nonstaple food and commodities in great demand have risen a little too much. Many problems concerning people's livelihood remain to be solved. In the political-ideological realm, some unhealthy things still remain and we are confronted with the heavy task of eliminating the influence of the trend towards bourgeois liberalization. The

aforementioned problems indicate that the work of this government has not met the needs of developing a socialist commodity economy. Not enough has been done to study the new situations and solve the new problems under the new circumstances; irrational organization, inefficiency, and bureaucracy remain serious problems. We are resolved to improve government work under the supervision of the People's Congress, and overcome difficulties together with the people of Fujian.

Fellow deputies, 1987 is the second year of the Seventh 5-Year Plan and a crucial year for Fujian to expedite reform and opening to the outside world and promote export-oriented economy. Based on the planning requirements of the party Central Committee and the State Council and on the actual condition of our province, we contend that the major tasks of the government in 1987 are to correctly carry out the party line, principles and policies formulated at the 3d Plenary Session of the 11th CPC Central Committee. We must pay full attention to two major tasks: one is to launch campaigns to increase production, practice economy, increase revenues, and reduce expenditures among people of all walks of life by adhering to correct policies and promoting an industrious and frugal spirit. We must stabilize provincial economic development by deepening the reform of the economic structure, opening wider to the outside world, and promoting an export-oriented economy. The second task is to consolidate and promote a unified and stable political situation by popularizing the party line formulated at the 3d Plenary Session; by upholding the four cardinal principles, persisting in the struggle against bourgeois liberalization, and strengthening the building of socialist spiritual civilization. We should strive to do other things well on the basis of these two major tasks.

Now, four months of the year have passed. Industrial and agricultural production have shown a good start. All localities have generally paid close attention to enhancing agriculture; thus, the output of grain and oil-bearing crops in spring has increased, spring sowing area of grain has been expanded, and more has been invested to promote agriculture. Industry grows steadily: the output value of the first 4 months has increased 14.1 percent over the same period last year; financial revenue has increased by 5.5 percent. However, the weather is abnormal this year, so that natural disasters might occur more frequently than in previous years. We will also be confronted with many difficulties in economic work as well as a critical situation. Therefore, we should redouble our efforts to do our job well.

## 2. Uphold the Strategic Principle of Long-term and Steady Economic Development.

Ever since Fujian opened its doors to the outside world, profound and historic changes have taken place in its economy. Compared with constant prices, during the past 8 years the province's gross social output and national income have increased 150 percent. Financial receipts and urban and rural residents' average consumption (after adjustment for price increases) also increased nearly 100 percent. The total amount of Fujian investment in energy, communications, raw and semifinished materials, and other basic industrial

construction approached 3.7 billion yuan. Power output, port traffic, civil air transport, and postal and telecommunications services exceeded 100 percent, thus significantly improving the infrastructural conditions. The major proportional relations in the national economy--such as those among agriculture, light industry, and heavy industry; those among the three major industries; and those between consumption and accumulation--have now become increasingly rational. The once closed and rigid economic system has also gradually given way to an open, dynamic, and vigorous planned commodity economic structure. a multi-level, open structure has begun to take shape throughout the province, and the province has shown an entirely new look in conducting economic and technical cooperation and trade at home and abroad. The facts cited above fully indicate that the lines, principles, and policies adopted since the 3d Plenary Session of the 11th CPC Central Committee are entirely correct.

We believe that Fujian must from now on firmly adhere to the principle of long-term and steady economic development. We must pool our efforts to develop social productivity, and persist in developing the planned commodity economy on the basis of upholding socialist public ownership. Our economic work must pay special attention to these basic guidelines:

(1) We must strengthen agriculture, attach great importance to grain production, and make great efforts to develop commodity economy in the rural areas. Agriculture is the foundation of the national economy, and grain is the foundation of agriculture. Since 80 percent of Fujian's population resides in the rural areas, the per capita share of arable land is limited, agricultural productivity is low, and grain shortages have been a longstanding issue. Industry, however, is highly dependent on agriculture. During the more than 30 years since liberation, Fujian's economic growth has always been closely related to the province's high or low agricultural output. Fujian's relatively rapid economic growth since the 3d Plenary Session of the 11th CPC Central Committee is primarily due to its rural reform, which has brought about production growth and laid the groundwork for Fujian's economic development. Thus, steady agricultural growth not only guarantees Fujian's social stability, but also provides the foundation for its long-term and steady economic development. We must therefore firmly adhere to the principles of "never slackening grain production, and actively promoting economic diversification." We must deepen rural reform, increase agricultural investment, and strive to build up the capacity for sustained agricultural development. We must earnestly reverse the trend of relaxing grain production and overemphasizing the need to restructure agricultural production, and continue to tap mountainous and marine resources while promoting farming. On the basis of ensuring steady growth in grain output, we should actively restructure rural production and develop commodity economy in the rural areas.

(2) We should proceed from reality and maintain a proper rate of growth. How fast a rate of growth is considered proper for Fujian? Since Fujian is a coastal province authorized to exercise special policies and flexible measures, and there is the need to gradually narrow the economic gap between Fujian and the national average and to improve the people's living standards,

Fujian's economic development in the foreseeable future must and can maintain a speed slightly higher than the national average. This requires hard work and earnest efforts. Once we tended to compete with each other for rates of growth, seeing only our advantages--some of those that we have advertised were actually special features--while failing to see, much less to deal with, our limitations. An analysis of Fujian's economic growth during the past several years shows that, while our technology was improving, our poor management and low economic returns remained basically unchanged, and the key economic and technical targets were still below the national average. Should this situation be allowed to continue, it will hinder our long-term and steady economic development. Thus, our guidance should be one that can effectively improve economic performance. We should continue to tighten macroscopic control; exert even greater efforts to achieve an overall economic balance; strive to achieve unity in speed, proportion, and results of economic growth as well as unity in quantity and quality; and guard against unrealistic competitions for high output and growth.

(3) The scale of capital construction should match the actual situation and capacity of the province. This is a crucial issue for the stability of the economy. Fujian's capital construction investment last year exceeded the state-planned target mainly due to the increase in projects that were not included in the state plan, as well as the extra expenses for projects that were included in the plan. The province adopted large-scale construction of key projects and investment returns. This was due not only to a strong desire to achieve results in economic work within a short time. We are also inclined to follow the old path of expanding production extensively; that is, as soon as we think about promoting production, we associate it with building factories and increasing equipment in order to raise productivity. Fujian's annual income after deducting for price increases is only slightly more than 1 billion yuan; therefore, funds to be used for construction are very limited. This situation determines the protracted and arduous nature of our economic development. Excessive investment will definitely cause tension in our economy and aggravate the malcirculation of financial and credit revenues and expenditures. Even if we use foreign funds for construction, we have to consider the question of payment. Therefore, it is necessary to focus our guiding principle for economic construction on expanding reproduction with intensive means; the scale of construction should be kept strictly within the provincial capacity. Short-term capital construction funds should be used to ensure the renovation of enterprises such as key enterprises concerning people's livelihood and foreign exchange-earning exporting enterprises. Construction of key projects for the energy, communications, and raw materials industries should be ensured in order to reserve strength for the Eighth and Ninth 5-Year Plans.

(4) It is essential to pay full attention to improving the economic structure and to constantly adjust the imbalanced situation in the course of development. The readjustment of the production structure is closely related to the reserve strength of the whole economic development. The readjustment of the production structure is closely related to the reserve strength of the whole economic development. Currently, Fujian's mining and raw materials

industries are still very weak, and discrepancies between the development of commodity economy and the infrastructure for such projects are still very evident. It is necessary to adjust the investment pattern by formulating correct production policies, clearly defining the enterprises to be encouraged and supported and those to be banned and restricted by the government. We must meet the needs of improving the production structure and developing an export-oriented economy. It is imperative to give priority to the construction of energy and communications projects. On the basis of economic efficiency [jing ji xiao yi 4842 3444 2400 4135], the readjustment of the industrial production structure should be geared towards the changes taking place in the structure of market consumption. We should thus vigorously promote readily marketable products, quality brand products, agriculture-supporting products, and goods for export; we must also curtail the production of goods in excessive supply and those consuming a great deal of energy. The development of the local economy is still not balanced; therefore, it is necessary to make new rational economic decisions. The economy of the coastal areas is better developed; it is essential for these areas to bring their advantages into play, striving to promote export-oriented economy, thus propelling the economic development of the whole province. At the same time, we should continue to mobilize all the social forces to expedite economic development in mountainous areas and held old revolutionary base areas, remote regions, and island areas tap resources and develop commodity economy, thus enabling them to shake off poverty and achieve prosperity.

(5) Persist in integrating the development and use of natural resources with their protection and management. The developing commodity economy has accelerated the development and use of natural resources. But some localities have overlooked the long-range social benefits [she hui xiao yi 4357 2585 2400 4135] and ecological benefits. A great deal of forest, mineral, hydraulic, sea, beach, and other resources have been either wasted or destroyed. Excessive felling of forests has accelerated our province's soil erosion to a speed of several hundred thousand mu per year. The total acreage lost to soil erosion has already reached 20.34 million mu, accounting for 11.2 percent of our province's total land area. Soil erosion, together with pollution by the three kinds of industrial waste, has caused our province's ecological situation to go from bad to worse. The problem is a strategic one which relates not only to the national economy's long and steady development, but to the welfare of future generations as well. Therefore, in our production, construction, and other activities, we must respect the objective natural laws, follow the principle of ensuring the continuing availability of recycled resources, persist in the policy of integrating the development and use of natural resources with protection and management, and strengthen control and supervision over the development and use of natural resources. We must punish according to the law those who cause serious damage or pose a serious threat to the ecological environment. At the same time we must do a good job in land planning, take a scientific approach in deploying production forces, and carry out rational development and use of our province's land resources.

(6) Maintain basic stability of commodity prices. Commodity prices are a concern to every household. They are related to the immediate interests of the state, enterprises, and the people, as well as to the economy's steady development and society's stability. In recent years the reform has brought relatively important changes to our province's commodity price control system. The price differential between various kinds of commodities has become more and more rational, and the scissors differential in prices between industrial and agricultural products has been narrowed. The irrational price system has been initially improved. This, in turn, has promoted the development of the commodity economy. Price reform has increased the peasants' income. Thanks to wage readjustments, increase in subsidies, and expanded employment, the income of staff members and workers has also increased at a speed faster than the rate of inflation. However, because of differences in income, living standards, and family size, the impact of inflation on each individual household is also different. Over the past 2 years, the living standard has gone down for a few people who have had only meager wage increases. Price reform and commodity prices are not only problems of concern to everyone, but also important matters to be dealt with in our economic work. For a long period, our price system has been out of step with the times. The prices of many commodities are not in keeping with the law of value. This is counter-productive to production and puts a heavy subsidy burden on our finances. The state will continue to implement a policy of "stressing both readjusting and relaxing price controls to achieve steady progress" and take cautious steps to reform the price system. From now on, the state will adjust its pace of price reforms according to people's reactions, the state's financial conditions, and the enterprises' ability to readjust. The state will also include the price increase indexes in state planning as a macrocontrol target and strictly control the overall level of commodity prices. From now on, we must exercise control over the prices of important commodities related to the national economy and the people's livelihood, and essentially maintain stability of prices for basic consumer goods. But commodity prices are a very complicated problem, and many factors cause price increases. Thus, the problem must be dealt with comprehensively. A fundamental way to solve the problem is by striving to develop production and increase the market's overall supply. State-run stores must actively procure commodities to supply the market and thus continue to play a role in lowering commodity prices. At the same time, we must strengthen control over commodity market prices and bring into play the people's rule as price supervisors. We must also take stern measures to deal with those who unreasonably overcharge, unwarrantedly raise prices, sabotage market order, or engage in any other activity that seriously hurt the consumers' interests.

(7) Attach great importance to controlling population growth. Family planning is a long-range basic national policy. Controlling population growth is of great importance to the healthy development of China's livelihood. In view of our small farmland acreage and relative scarcity of natural resources, controlling population growth is even more important to Fujian. In the past 2 years, our province has achieved great results in family planning but has fallen short of the goal in controlling population growth. Our province's annual population increase is equal to the population of a medium-size

country. At the current rate of consumption, the increased population will consumer over 200 million jin grain per year and will cause the average per capita income to drop by 10 yuan. At present, our province is at the peak of a childbirth cycle. The task of population growth control is an extremely arduous one. We must stress family planning as a strategic task and strive to lower the population growth rate. We must control our population growth to within 10.5 percent under the Seventh 5-Year Plan.

(8) Launch an arduous struggle and fulfill all work through diligence and frugality. This is China's basic policy in building socialism, and this policy is even more important to Fujian. But in recent years, people have become indifferent to this idea. Ostentation, extravagance, and parading wealth are in vogue in government organs, enterprises, and institutions. The problem of losses and waste caused by faulty decisionmaking, careless planning, and poor management in economic construction is a very serious one, which has further worsened the already strained relationship between supply and demand in our province. Therefore, to make progress in economic construction, Fujian must regard building our economy through arduous efforts as a basic guiding ideology. We must keep our long-term interests in mind, correctly handle the relationship between accumulation and consumption, and strictly prevent consumption funds from increasing too fast. We must persist in and deepen the campaign to increase production, practice economy, raise revenue, and reduce expenditures as a strategic task, thereby making the best use of our limited social and natural resources in developing social productive forces and increasing our social wealth.

### 3. Widely Promote the Campaign To Increase Production, Practice Economy, Raise Revenue, and Reduce Expenditures.

Promoting the campaign to increase production, practice economy, raise revenue, and reduce expenditures is one of the important tasks on which the government must concentrate all resources to fulfill this year. The campaign emphasizes raising overall social and economic benefits, striving to increase production and raise revenue, reducing expenditures, scaling down investments, and exercising control over incenses in consumption funds. In short, while vigorously increasing and further improving overall supply, we must control excessive overall demand, thereby making our economic development healthier this year. The specific requirements of the various professions and trades are as follows:

(1) In agriculture, we must vigorously increase the output of farm and sideline products, particularly grain, the output of which we must increase by all possible means. To arouse the peasants' enthusiasm in growing grain crops, the state has reduced this year's contract grain purchase in order to allow the peasants to have more grain to sell on the market all by themselves. But because of increase in procurement prices for grain and edible oil, the sale of grain and edible oil at subsidized prices which the government will purchase from outside the province at higher negotiated prices, and the payments in foreign exchange by the local governments for increased grain imports, the government's financial burden will be greatly increased.

Therefore, we must increase grain production. We plan to produce a total of 8.25 million metric tons of grain but will strive to increase it to 8.5 million metric tons. First, we must ensure the sowing on 29 million mu; carry out expansion planting, planting of companion crops, and interplanting, and strive to increase the acreage of double cropping. While stressing rice and wheat, we will also emphasize sweet potato, corn, and other grain crops and increase their output. We must resolutely end the use of farmland for purposes other than farming. We must seriously implement the state Land Management Law as the measures for implementing the Land Management Law issued by the province. We must bring into full play the role and functions of the land management [word indistinct]; investigate and punish according to the law any units or individual who illegally uses farmland for other purposes; resolutely check the unhealthy tendency of building private housing on farmland in rural areas, particularly by cadres; and sternly handle cases involving illegal selling and buying of land or letting farmland lie fallow at will. Second, we must rely on agricultural science and technology to raise the land's utilization rate and productivity. We must spread the technique for cultivating double cropping, hybrid, and high-yield rice strains; improve fertilizer application techniques; popularize the surface-cover planting technique; and strive to raise the per unit yield by all possible means. Third, it is necessary to increase agricultural input. Financial input in agriculture this year will increase in actual terms compared to last year. In the meantime, the capability of rural areas to develop by themselves will be strengthened through the implementation of the labor incentive system and the policy of supplementing agriculture with industry. Efforts will be made to set up farmland capital construction; to transform low- and medium-yield fields; to do a good job in outfitting, repairing, consolidating, and renovating water conservancy projects; and to increase the effective irrigated areas and disaster-fighting capabilities of farmland. Fourth, it is necessary to resolutely implement the policies and measures to the central and provincial authorities designed to encourage grain production. In particular, it is necessary to effectively implement, among grain growers, the policies and measures linking the fulfillment of grain procurement contracts with the supplies of chemical fertilizers and diesel oil and the payments of deposits. Measures governing the construction of grain-based counties should also be implemented gradually at the grass-roots level. At the same time, it is necessary to solve problems regarding the production and marketing of pesticides and chemical fertilizers in order to ensure relative stability in the prices of the means of agricultural production. Efforts should be made to improve forecasting and preventive work in connection with weather conditions, plant diseases, and insect pests; to upgrade services prior to, throughout, and after production; and to make preparations for combatting various natural calamities. Vigorous support for agriculture should be sought among people in all walks of life through mobilization and organization. In increase grain output, it is essential to practice economy, strictly control unreasonable sales, and encourage planned and economical use of grain.

In improving grain production, vigorous efforts should be made to develop a diversified economy; to promote an all-round development of agriculture, forestry, animal husbandry, sideline production, and fishery; and to bring

prosperity to the rural commodity economy. On the basis of developing and utilizing mountain and sea resources, efforts should be made to concentrate on developing aquatic production and pomiculture; to continue developing various types of cash crops, including sugarcane, flue-cured tobacco, and tea; and to promote animal husbandry. First, it is necessary to define the principles and key points of development. In aquatic production, it is necessary to develop both breeding and fishing, with emphasis on the former. In developing aquatic breeding, it is essential to place equal emphasis on sea water and fresh water resources and on staple and brand-name products. Ocean fishing should be carried out through the combination of preservation, multiplication, and development of aquatic resources; the readjustment of inshore fishing; and the development of deep-sea fishing. With emphasis on increase per-unit area yields and on improving product quality, cash crops should be developed in such a way as to appropriately expand the acreage of fruit trees and tea and to stabilize the acreage of sugarcane and flue-cured tobacco. In developing animal husbandry, emphasis should be laid on developing fodder and fine strains, and efforts should be made to increase the output of meat, poultry, eggs, and milk. Second, it is necessary to adopt advanced technologies; to promote a diversified economy; to execute the "spark plan" through the popularization of fine strains, new types of fodder, advanced management expertise, and new preservation and processing techniques; to marshal efforts to tackle key scientific and technological problems; and to form a fairly advanced production system of aquaculture, pomiculture, and animal husbandry. It is also essential to develop farm commodities and special, brand-name products in order to improve market supply and the capability of agriculture to earn foreign exchange. Third, efforts should be made to readjust policies; to unclog circulation channels; to improve services; and to keep up the popular initiative for developing a diversified economy. Sugarcane and flue-cured tobacco are major cash crops which have a bearing on Fujian's industrial production and financial revenues. In order to stabilize sugarcane acreage, the provincial government has decided to ensure the fulfillment of state procurement of cane sugar and to allow various localities to cope with the excess portions, if any, with the proceeds realized from such surpluses going to the enterprises and to sugarcane growers in the form of subsidies for developing sugarcane production. Incentives will also be established for the production of flue-cured tobacco. In developing hog production, policies integrating the production of fodder with that of meat will be adopted, and financial arrangements will be made for the development of animal husbandry.

Forestry is a key industry in Fujian. In addition to generating huge economic benefits, it plays an important role in balancing the ecological environment. Therefore, it is necessary to regard the development of forestry as a fundamental task. Efforts should be made to strictly enforce the forestry law and to integrate the preservation, development, and utilization of forest resources. It is essential to correct the practice of stressing logging operations and neglecting afforestation efforts; to promote afforestation; to cultivate quick-growing and big-yielding forests; to continue with riverside greening efforts; to build coastal shelter forests; and to increase forested areas. Efforts should be made to step up forestry administration; to curtail logging; and to prohibit wanton felling. It is necessary to make rational

plans; to carry out comprehensive management; to conduct multiple timber processing; to increase the utilization of timber; and to produce more timber products. The key to the development of forestry lies in rousing peasants' enthusiasm for afforestation; in further perfecting the forestry production responsibility system; and in properly handling the distribution of proceeds. With the interests of the state, the collectives, and individuals in mind, it is necessary to concentrate on solving the problem of excessive taking of profits by middlemen and to protect and develop state-run and rural collectively-run forestry farms. Efforts should be made to step up the management of timber markets; to give full scope to the key role of state-run forestry enterprises; and to satisfy the demand for timber in Fujian.

A major force in Fujian's economic development, village and town enterprises have projected a total output of 9.4 billion yuan for this year and have arranged to employ 200,000 workers. Having developed to a certain extent, village and town enterprises in coastal regions, overseas Chinese areas, and satellite towns should stress technical transformation, upgrade operational and management levels, improve economic results, and seek development in inter-city cooperation, interregional operations, and exportation. Mountain areas in eastern, northern, and western Fujian should integrate their efforts to seek improvement and development in tapping and utilizing local resources and in developing the tertiary industry. In their development of household industries which require small investments and which yield quick results, impoverished areas should opt for the processing of agricultural by-products, mining, and labor exportation. It is necessary to sum up experiences in the development of village and town enterprises; to promote hard work and honest means in seeking affluence; to uphold the socialist operational mode; and to guide village and town enterprises along the path of sound development. Developmental plans should be worked out at various levels. In promoting joint entities and specialized households, it is necessary to develop town, township, and village enterprises in accordance with local conditions and circumstances and to strengthen collective economic forces.

Helping impoverished areas to overcome poverty and achieve prosperity is a historical responsibility and long-term task of government at all levels. Because of the State Council's designation of some countries in Fujian as being eligible for antipoverty assistance on a priority basis, the number of such eligible areas has grown to 16 countries and 200 townships this year. Compared to last year, the funds for helping impoverished areas have also increased in all quarters. In developing the economies of poverty-stricken areas, it is necessary to take a comprehensive approach; to promote developmental production; to help the people get rid of poverty and become better off; to establish fairly stable incomes for household economies; and to continue to realize the "three, five, and eight" [as published] objectives. At the same time, it is essential to fight poverty through improvements in science, technology, education, culture, and public health services; to upgrade the intellectual levels of impoverished areas; and to enhance the self-development capabilities of these areas. Particular attention should be paid to the construction of coastal areas and islands by drawing up correct

construction principles, tapping and utilizing marine resources, developing production, and improving living conditions.

(2) On the basis of improving economic results, industrial production should be carried out in such a way as to fulfill the plan of increasing the output value by 8.5 percent. The principal measures include those designed to: a) Expedite the readjustment of the industrial structure; step up efforts to organize, manage, and coordinate production and circulation; and increase the production of raw and semifinished materials in short supply, brand-name and special products, and commodities in great demand. Priority should be given to developing agriculture-support products, export commodities, materials, and transport capabilities. It is necessary to firmly restrict or convert the production of expensive, substandard products and products with no prospects for development and to reduce the funds for use in developing such products. b) Expedite technological innovations; apply new technology and use new equipment in key production links. We must first complete 25 key state and 150 key provincial technological innovation projects and develop new products. In large and medium-size enterprises, we will promote the "one new product per plant" campaign. We must further strengthen the state system for quality supervision and inspection, adopt international standards, stabilize the quality of key products at 85 percent or better, and eliminate the lack of standards in state enterprises at and above the county level. c) We must strengthen enterprise management and do an even better job in mobilizing enterprises to increase production by practicing economy, cutting down material consumption, reducing fund holdings, and keeping within the fixed limits in using electricity, coal, oil, and raw and other materials. We must do a good job in making multiple use of natural resources, recovering waste and scrap materials, and recycling. We must strengthen management over circulating funds and eliminate improper holding of funds in order to speed up fund circulation. The industrial enterprises of the entire province are required to cut the consumption of energy and raw and processed materials by 2-3 percent; shorten their capital turnover cycle by 3-5 days; trim their administrative costs by 10 percent; and reduce their losses by 30 percent.

We must continue to vigorously improve communications and transportation facilities. We will first accelerate the construction and improvement of basic facilities on the Yingxia and Waifu railways and on the main highways. At the same time, we will take a scientific approach in making rational readjustments to and tapping the potential of our transportation system to ensure the smooth flow into our province of key materials and materials needed to fulfill projected quotas. Water transport is our province's mainstay. We must step up harbor construction, dredge waterway channels, and expand convoys to raise our water transport capability. We must equally stress the role of rail and water transport and let part of grain, coal, and other materials be shipped into our province via water transport. We must develop civil aviation, run the Xiamen Aviation Company well, and open aviation routes. We must stress postal telecommunications, and other means of communication and develop a program-controlled telephone system and network. We must continue to improve our transportation system and develop various types of transport networks. The state communications enterprises must

consolidate and perfect the various forms of responsibility system, promote lateral cooperation, expand their transport capability, and raise their economic results. We must strengthen guidance and supervision over collective and individual transport means, do a good job in technical training, ensure transport safety, and raise the quality of transport services.

(3) Further invigorate circulation; straighten out market operation and the price system. We must develop new circulation channels by promoting cooperation between agriculture and commerce, industry and commerce, and agriculture and industry. We will establish various types of specialized and centralized markets, increase contacts with the East China provinces, and develop markets in central, northwest, and southwest China. We will establish market investigation, forecast, and feedback systems to promptly supply production enterprises with needed market information to help them adjust their production structure and produce according to market needs. In commerce, we will continue to implement the principle stressing joint state, collective, and individual efforts. While assigning the state and collective commercial organizations the main role, we will actively help and guide the individual commercial activities to develop on a healthy course. While competing with one another, these multi-channel commercial activities of various forms are also benefiting one another. The state commercial units and supply and marketing cooperatives must strive to supply the market with products in great demand, particularly in the procurement and marketing of grain and the supply of nonstaple foodstuffs in order to stabilize the market. In this year's price reform, the state is not going to take any major actions. It will only make minor adjustments to those commodities that are priced way out of line with the price system. We must do our work well in order to limit the overall price rise to within 7 percent of the planned target. We must improve the market management organs and raise the quality of management personnel. We will sternly deal with according to the law any activity that sabotages market order, such as driving up prices or manufacturing and selling imitation or substandard commodities. We must raise the economic results of circulating funds. We plan to reduce commercial enterprises' losses by 20 percent and circulating funds by 2 percent this year. We must do a good job in inventorying warehouses to reduce the backlog of commodities, accelerate the turnover of funds, cut down overhead costs, and recover waste and scrap material.

(4) Thoroughly implement the central authorities' "three guarantees and three restrictions" policy; strictly control the investment scale for fixed assets; make rational readjustments to investment structures; and ensure the completion of key projects. This year, the entire province from the provincial level down to the grassroots level should act strictly according to the plan. All nonessential projects should be canceled, and all extra planning projects must be suspended. Corresponding actions should be taken by various localities, departments, and enterprises concerning projects to be built with their own funds. With the exception of expenditures for the production of items that are in acute short supply on the market or are for export purposes, the funds for technological innovations should be mainly spent on ways and means to reduce the consumption of energy and raw and

processed materials, raise the quality of products, or develop new products. At the same time, we must continue to investigate projects under construction. All general-purpose projects under construction, which lack either funds or material to continue or conditions for production when completed; or which have poor returns on investment should be canceled or suspended. The entire province's investments in nonproduction projects should be limited to 35 percent. Construction of swanky guest houses, sanatoriums, amusement parks, and "theme streets" should all be resolutely suspended. The 13 key projects, presently under construction, including the Shuikou power station, are a reserve force to ensure our province's sustained economic development. The construction units are racing against time to complete them. However, they have encountered many difficulties in capital, supply of raw and processed materials, land requisition, power supply, and transportation. They have called on the various localities and departments to cooperate, particularly in the resettlement job for a water reservoir, to ensure the success of the construction of these key projects. We must continue to promote the various types of investment contract and public bidding systems. The various departments, localities, and enterprises should share in the responsibility and risks of investment decisions. We must prevent "big waste" in big projects and resolutely prevent losses and waste caused by faulty decisions or chaotic management during construction. We must carry out reform in design work and correct the tendency to blindly seek high goals and greatness or worship foreign things. We must do a good job in organizing the construction force, shorten the construction period, and further raise the economic results of investments.

(5) In finance, we must do a good job in revenue collection, curtail outlays, and achieve a balance between revenue and expenditures. Our province's financial situation is relatively difficult this year. To ensure the construction of key state projects and the continuation of the various reform programs, we must strive to increase production, raise economic results, and strengthen the management and collection of taxes. While vigorously increasing revenue, we must also strictly curtail outlays. First, we will strictly control investments in nonproduction projects; curtail expenses for buying equipment, repairs, meetings, and travel under the funds for administrative costs; restrict the purchase power of social groups; and strictly limit the adding of more organizations or working personnel. Finance departments at all levels must plan expenditures according to revenue and should never plan deficits in their budget. Second, we will conduct an overall investigation and reform of the tax reduction and exemptions policy and the various kinds of subsidies. No more new tax reductions or exemptions will be added this year; and the various kinds of subsidies will also be under strict control. Grain subsidies account for the lion's share of total subsidies. The province, prefecture, and cities cannot afford to make any further reductions in grain procurement this year. Third, we must strengthen tax collection work. We must earnestly implement the State Council's "Decision on Enforcing Laws and Discipline in Tax Collection and Strengthening Tax Collection Work," strengthen the leadership over tax collection, seriously implement the tax policy, study and perfect various measures on the management and collection of taxes, carry out a tax collection inspection,

plug tax evasion loopholes, and strive to collect all tax revenues and put them in the treasury. We must establish and perfect the village and township finance organs, urge them to collect and turn in all odds-and-ends taxes, and spend them on rural projects. Fourth, we must enforce financial and economic discipline; continue to conduct general finance and economic inspections; and regard wanton granting of bonuses or other prizes as a major target of the general inspection, and continue to prevent increases in consumption funds. We must readjust the irrational distribution structure and effectively cut down the high expenditure figures.

This year, the State has asked our province to raise more than 400 million yuan in funds by issuing negotiable securities, of which local bonds will take up 58 million yuan. Issuance of bonds is an important instrument used by the state to raise funds for key construction projects, thereby diverting funds which may otherwise be invested in fixed assets beyond those planned, or used for consumption. We should keep the national construction in mind and try to accomplish this mission to its full extent and on time. About half of the amount is to be raised from enterprises' out-of-budget funds. Therefore, while asking enterprises to buy bonds, we must not collect unnecessary fees, expenses, or fines from them to lessen their burdens.

The success of the drive to increase production, practice economy, increase revenue, and retrench expenses is hinged on adequate mobilization of the masses' initiative. In industrial enterprises, mass contests centering around the drive should be held. In rural areas, we should encourage peasants to invest more of their incomes in production. Government at all levels, especially various departments at the provincial level, should take the lead in the drive. We must work diligently, practice frugality, and perform our duties honestly. We should also refrain from giving presents a governments' expenses, throwing parties at costs beyond what is allowed, going abroad for sightseeing under false pretenses, purchasing high-grade consumer goods with public funds, and building offices and official housing beyond standards. In addition, we must trim the number of meetings and cut down on administrative expenditures.

#### 4. Further Reforms and Opening to the Outside World, Improve Work Involving Overseas Chinese and Taiwan Compatriots

One of the two major aspects in pursuing the fundamental guidelines of the 3d Plenary Session of the 11th CPC Central Committee is to broaden our reforms and opening to the outside world through our own efforts, which is also the key to a sustained, steady economic growth for our province. On the other hand, improvement in the work involving overseas Chinese and Taiwan compatriots is of significance to our province's economic construction and the reunification of the motherland.

(1) Reforms. In line with the reform plan of the CPC Central Committee and our province's situation, this year's economic reform will focus on increasing the capability for sustained agricultural growth and on enlivening enterprises, especially large and medium-sized state-owned enterprises. At

the same time, we should boost circulation of commodities and funds and push for establishment of a primitive market structure, laying foundation for future reforms.

Rural areas should intensify reform by implementing the No 5 Central Document, with the focus on the continued reform of the unified and assigned procurement system and the establishment and improvement of an agricultural products market system. Different reform measures should be adopted for different farm products. For a fairly long period to come we will have to implement a "double track" system for the procurement of grains; that is, procurement through contracts and from the market. By doing so we can ensure the fulfillment of procurement quotas and truly lift restrictions on the grains outside the procurement quotas. The central authorities have explicitly ordered the lifting of restrictions on farm and sideline products and the removal of regional blockades so that they can be purchased without restrictions and flow rationally. Invigorating rural banking work and commodity circulation and developing the market of production factors represent a breakthrough point for the second phase reform of the countryside. At present, the capital needed for developing rural commodity production mainly comes from funds accumulated in rural areas. A considerable part of the rural funds are scattered among the peasants. Therefore, we should, under the guidance of state macroeconomic control, reform the rural banking system. Efforts should be made to develop the rural money market and invigorate rural banking work through the reform of the agricultural banks and rural credit cooperatives and the establishment of mass, sound financial institutions. It is necessary to enhance guidance and management over the stock economy, which has already come into being, so that it will develop soundly. In circulation, we should focus mainly on encouraging peasants to enter this sector and set up their own trade and service businesses. In addition to supply and marketing, they may engage in processing, storage, transport, technology, information, and other services. State commercial units and supply and marketing cooperatives must stress service, develop extensive links with rural specialized households or integrated establishments through coordinated operation with them, establish intermediate commodity circulation organs, and develop new circulation channels and commercial establishments. Focusing on the pivotal task of perfecting the rural farm products market, we plan to make further efforts in perfecting double-level management, stabilizing the household responsibility system with remuneration linked to output, developing all forms of economic association, readjusting the production structure, and promoting reform of the agricultural science and technology management system.

Intensifying enterprise reform lies in improving managerial mechanisms and injecting greater vitality in enterprises. We should approach this reform in two ways. During the past few years we broadened the decision-making powers of enterprises, reduced their taxes, and allowed them to retain more profits. All these measures have played a role in invigorating enterprises from the outside. This year we are stressing improving the managerial mechanisms and strengthening the enterprises internally. It is essential to, in accordance with the principle of separating ownership from managerial authority, institute different forms of the contracted managerial responsibility system.

Our aim is to make the enterprises relatively independent economic entities having full authority for management and full responsibility for their own profits and losses, which are able to constantly grow on their own and gradually form mechanisms of self-regulation. Attention should be paid to the following work: 1) We should popularize the contract and lease systems that have been introduced on a trial basis; efforts should be made to consolidate and improve them among small commercial enterprises and accelerate their introduction among small industrial enterprises. Large and medium-sized enterprises are the backbone of the national economy. Different forms of the contracted managerial responsibility system should be instituted in accordance with different situations. Contract base figures and profit-sharing percentages should be set so that they ensure the steady growth in revenue, reflect the principle of encouraging the advanced and spurring the backward to improve, and raise the enterprises's reinvestment capacity. 2) We should hasten the reform of the leadership structure in enterprises, extensively implement and improve the system whereby factory directors (managers) assume full responsibility, and put into force a system under which the factory director is held responsible for the attainment of certain objectives during his or her tenure and under which the performance of enterprises is subject to supervision through auditing. 3) We should, while implementing the economic responsibility system, reform the wage distribution system of the enterprise so as to realize the principle of distribution according to the amount of labor. 4) We should take resolute steps to stop the practice of indiscriminately levying taxes on enterprises and illegal and random raising of capital goods prices by some enterprises. We should reorganize or remove administrative-type companies, protect legitimate rights and interests of enterprises, and lighten their burden. The provincial government has decided that second-level administrative companies under the provincial government cease business activities in the 3d quarter. 5) We should continuously develop lateral economic cooperation, pool production factors, further promote lateral economic ties between enterprises, or between enterprises and scientific research institutions and colleges, and systematically establish a new enterprise structure adapted to the needs of large-scale, modern, socialized production. We should also, according to needs in foreign economic exchanges, offer guidance and support to large and medium-sized enterprises, as well as export-oriented enterprises, to form enterprise groups.

Invigorating capital and commodities circulation and establishing money, capital goods, and labor markets are prerequisites to vitalizing enterprises and developing commodity production. Last year saw a new development in financial reform with the formation of a diversified financial structure and money market operating under the central bank. We should still operate money market better with its center in Fuzhou and Xiamen, actively promote bill discounts business; do good trial work of issuing foreign bonds by enterprises in Quanzhou City and of private deposits of foreign money; explore long-term money market; and do a good job in supervision and issuing of bonds and stocks so as to bring into full play the role of financial markets in pooling and regulating funds, guiding their flow and promoting their efficient use. At the same time, we should vigorously develop various financial institutions; effectively use the many different channels of capital flow; diversify credit

and insurance services; see to it that banking and insurance institutions are run as enterprises; and strengthen and improve macrocontrol on finance. The major reason for setting up a capital goods market is to ensure the supply of important means of production. Therefore, it is necessary to explore stable source of materials. To achieve that goal, we should build up exploitations of funds, develop raw material production in the province, attract resources of other provinces to our market and encourage individuals to sell their overstocked materials on the market. Policy on building capital goods markets should be drawn up to bring out the initiative of producers and end-users of the means of production. As the establishment of a labor market involves many aspects, we will just concentrate on doing research and drawing up trial plans for this year. Where condition permits, we will do some small-scale text point work.

We are also considering carrying out research and small-scale text point work on certain major reforms. First: text point of organizational reform. Xiamen City, as one of the 16 text-point cities in the nation to undergo organizational reform, will make a big move in reform this year following much research and preparation last year. Second: text point of housing reform which will be carried out first in Nanping City. Third: text point of wage system reform in enterprises whose scope will be further broadened. The state will in the future only stipulate the limit and percentage of the growth of wages and bonuses of an enterprise as well as their relation to work efficiency. Enterprises are free to work out specific ways of distribution of wages and bonuses. Fourth: macrostructural reform and research and promotion of the establishment of an effective social supervision and control system. Fifth: explore ways for cities to help counties develop and for key cities to play a bigger role. Reform tasks for this year are arduous. We need to strengthen the leadership over the economic structural reform, fortify the will of the cadres and the masses on reform, and improve the decision-making process of reform to ensure the smooth progress of various reforms.

2. On Opening to the Outside World. We should make our measures flexible by following the special policy adopted by the central government, further raise people's consciousness in opening to the outside world, accelerate the pace of the opening, and vigorously promote export-oriented economy. We should continuously encourage direct investments from abroad, import advanced technology, increase exports to earn foreign exchange, and raise the ratio of export trade in our national economy. We should do a good job in building export bases and plants specializing in exports, readjust the structure of export commodities, and develop several hot-selling export products. At the same time, we should encourage village and township enterprise and collective enterprises in the cities to produce and export small commodities and to develop processing industry for export to help shape an export structure with our province's distinct characteristics. In building export bases, investment benefits will go to the investors. We should encourage foreign investment and lateral economic cooperation, joint business operations by industrial, agricultural, and trading circles, and cooperation among all regions in the province, as well as among state and collective enterprises and specialized households. We plan to concentrate developing the following industries in the

next few years: aquatic products, shoes, canned food, machinery, electronics products, mineral and mineral processing textiles, garments, tea, jewelry, and wood product processing.

We will, on the basis of exporting hot-selling traditional products, strive to export 50 million dollars and 100 million dollars worth of export products by building some 10 pharmaceutical and chemical engineering bases. Export bases and specialized plants should upgrade product quality, increase product varieties, and improve packing to raise competitiveness on international markets. We should select some well-run old enterprises, give them new technology and equipment, and transform them into export-oriented enterprises. We should step up research on the international market, explore new international markets, and further expand export channels. Reform of the foreign trade structure should be actively but prudently carried out under the unified planning of the central government. We should expand and strengthen the management in raw materials processing and parts assembly and guide them for a healthy development. There is great potential in international economic and technological cooperation and labor export. We should consolidate our gains and conduct more promotional work. We have advantages in developing tourism. There is a future in it; hence it is necessary to build tourist facilities with well-developed plans. There are also many channels to earn nontrade foreign exchange. To achieve greater development, we should constantly sum up experience. At the same time, we should strive to strike a balance in foreign exchange, strengthen foreign-debt management, and make good use and management of local foreign exchange reserve.

Special zones, development zones, and open zones should fully play the roles of windows and help other areas in the province to gradually open to the outside world. This year we will focus on the following work: First, we will unswervingly implement the preferential policies worked out by the State Council and the province, strive to create a "small climate" for foreign investment, and actively attract direct foreign investment. Relevant departments should proceed from overall situation, strengthen coordination, offer good services, and effectively help solve problems for enterprises. Second, we will strengthen management and guidance on macroplanning of foreign capital, offer guidance to foreign capital for correct investment, strictly control or ban the import of items that are repeat imports, not technologically advanced, or those that will not help raise social and economic benefits. Direct foreign investment will focus on turning out products for export, helping the province upgrade technological level, and producing items that were formerly imported. We should also step up the work of consolidating, assimilating, and perfecting imported technology. Third, the Xiamen Special Economic Zone has been striving to achieve the goals of "paying attention to production, quality, efficiency, and building export-oriented economy." It now especially stresses the importance of "quality and efficiency." The Xiamen Special Economic Zone, the Fuzhou Open City, the Mawei Economic and Technology Development Zone, and the Southern Fujian Delta Open Area should all actively seek ways for regional economic cooperation, secure supply of raw materials, organize production, make good use of foreign funds and assimilation and perfection of imported technology, and

share market information, so as to create a strong competitive force and better play the roles of being the "windows, links, and hubs" to other regions.

(3) On the work regarding overseas Chinese, Hong Kong, Macao, and Taiwan compatriots. The vast number of Hong Kong, Macao, and overseas Chinese compatriots are a bridge for Fujian's opening to the outside world, as well as a positive force for Fujian's economic construction. In particular, they have made great contributions to helping the economy prosper in some overseas Chinese hometown in the province. In 1986, the number of Hong Kong, Macao, and overseas Chinese compatriots who came to Fujian to visit relatives and friends, sightsee, talk business, invest, or promote public welfare was unprecedented. They helped their relatives set up more than 7,000 town and village enterprises in Fujian. Their investment in Fujian in last few years, accounting for more than 80 percent of the total imported capital in the province, has become an important part of Fujian's economic structure. We should treasure their patriotism and their love for their home towns very much, know their situation, understand their feelings, and protect their interest. We should further improve overseas Chinese affairs, and continue to seriously implement policies concerning overseas Chinese, particularly the policy concerning houses owned by overseas Chinese. We should seriously implement the laws and regulations that encourage overseas Chinese investment and protect overseas Chinese rights and interests, and provide the Hong Kong, Macao, and overseas Chinese compatriots with the facilities for them to engage in economic and technological cooperation and exchanges with Fujian and run schools and public welfare undertakings in Fujian. We should continue to make friends abroad. In particular, we should strengthen our ties with young and middle-aged Hong Kong, Macao, and overseas Chinese compatriots and promote mutual understanding and friendship with them. We plan to invite a number of influential young and middle-aged friends from industrial, commercial, banking, scientific, and technological circles abroad to visit their hometowns and conduct exchange activities in Fujian this year. We will continue to run training classes and summer camps for teachers and students from abroad to study here. The Huamin Corporation and other Fujian agencies abroad should be run well so that they play the roles of showcase and bridge. We should attach importance to doing good work for the returned overseas Chinese and the relatives of overseas Chinese. Many of them are holding leading posts at all levels and have become a backbone force for Fujian's construction, and we should fully trust and support them. The construction in major hometowns of overseas Chinese should be an important item on our daily agenda. We should strive to improve the investment environment, study the feasibility of planned projects, and efficiently run a number of enterprises in cooperation with overseas Chinese. We should strive to efficiently run an overseas Chinese investment company. Factories and farms run by overseas Chinese should undertake reforms. If returned overseas Chinese have material difficulties, we should help them develop production and improve living standards, just as we do for the people in poor regions. The travel agencies for overseas Chinese at all levels should further improve their service, strengthen reception personnel at the grassroots level, and create a warm and cordial

atmosphere to make visitors feel at home. The departments concerned should support the Overseas Chinese Affairs Department in doing good work for Taiwan is an obligatory duty of this province, as well as a common aspiration of the people on both sides of the Taiwan Strait. We will, as always, take various actions to promote economic relations, trade, cultural, and academic exchanges, overseas friendly contacts, and mutual understanding with Taiwan, and establish "three links" with it. As the fishermen from Fujian and Taiwan operate in the same region and share the same fishery resources and risks, we will further improve our coastal harbors, docks, and service for Taiwan compatriots to come to take shelter from storms, get fuel and water, repair boats, and engage in small trade. We sincerely welcome Taiwan compatriots to visit relatives and friends, travel and see sights of interest in Fujian. We are firmly willing to join the Taiwan compatriots in promoting the motherland's peaceful reunification in accordance with the concept of "one country, two systems."

#### 5. Persistently Promote Scientific and Technological Progress, Quicken the Pace of Training Qualified Personnel

To make progress in the field of science and technology and promote intellectual development is a prerequisite of invigorating Fujian's economy and accelerating the development of the four modernizations program. It plays an important strategic role in developing China's national construction. We must pay full attention to meeting this prerequisite and accelerate our development.

(1) In doing work in the science and technology field, we must consider our needs in economic construction and social development, further reform our system in developing science and technology vigorously combine science and technology with production, and make our work in science and technology serve economic construction. Right now, we must pay particular attention to invigorating the scientific research institutions and adopting flexible policies in dealing with scientists and technologists. We must develop various projects in science and technology on a contractual basis and energetically establish multilevel, lateral ties in various forms of scientific research. Based on the requirements in developing an export-oriented economy, we must try to tackle difficult problems in grain production and develop scientific research projects to promote aquatic production, producing fruits, facilitating industrial production. We must continue to implement the "Spark Program," and put scientific and technical achievements to good use in the countryside. Efforts must be made to make use of scientific and technical achievements to eliminate poverty and invigorate the rural economy while summing up our experience in promoting technical developments in hilly areas in recent years. We must enthusiastically develop international cooperation in science and technology, establish lateral ties in the field of science and technology, establish lateral ties in the field of science and technology in China, import technology and management know-how, and attract more qualified personnel to work in China through various channels to further improve management in all fields. It is necessary to strengthen

our work in assimilating foreign technology and creating the new, help medium-sized and small industrial enterprises in the province make progress in science and technology, and improve production quality and economic results. We must strengthen our study of soft science with emphasis on economic and social developments, accelerate the flow of scientific and technological information, and help leadership implement the policy decisions in the science field. We must pay full attention to the study of basic theories and efficiently handle the relations between our long-term interests and immediate interests and between the study of basic science and the application of scientific achievements. Scientists and technologists constitute the foundation for developing science and technology. We must continue to train them, help them improve themselves, strengthen the ranks of scientific and technological workers, and implement the policy of respecting knowledge and competent people. At the same time, we must improve our administrative work and the system of testing and evaluating professionals in the field of science and technology to appropriate posts, bring into full play the enthusiasm and creativeness of the broad masses of scientists and technologists, and develop even more vigorously science and technology work throughout the province.

(2) In doing educational work, we must implement the education policy of the state in an overall manner, carry out reforms in the field of education, and help students promote moral, intellectual, physical, and aesthetic developments and strengthen their education in love of labor in an overall manner. We must continue to popularize and implement the law on compulsory education, and consolidate and improve results in primary school education. Efforts must also be made to develop junior middle school education in a planned way and step-by-step while doing a good job in running all existing junior middle schools. We must further reform and improve the structure of secondary school education. While improving senior middle school education in an overall manner, we must actively develop secondary vocational and technical education and firmly implement the principle of "letting all units concerned run schools at different levels and in various forms" so as to closely combine vocational and technical education with the practice of developing production and becoming well-to-do by working hard. Rapid progress has been made in developing regular higher education in recent years. From now on, we must adequately control the number of full-time regular institutions of higher learning, and run more evening schools, television and radio taught courses, and correspondence courses which are open to the public. At the same time, we must take into consideration the needs in promoting economic construction and the limited financial and material resources in the province. Efforts must be made to conduct education in reforming the administrative system, implement the interim procedure formulated by the State Council in running schools of higher education, delegate more power to the institutions of higher learning to consolidate their administration, and strengthen democratic control over the schools. In developing adult education, we must adhere to the principle of "teaching what is needed, studying for the purpose of application and paying attention to actual results." We must gradually shift our aim in education to training more people for jobs and helping workers improve themselves and enhance their work

abilities. In addition, we must attach importance to the campaign to wipe out illiteracy in rural areas and to preschool education. Various departments, enterprises, and organizations and all citizens must show concern over and support education work. They must encourage the masses, the overseas Chinese, and society in general to pool their financial resources to run schools. We must train more teachers and do a good job in running teachers' colleges so that more qualified teachers will be available. We must continue to carry out reform in awarding the proper titles to teachers to arouse the enthusiasm of the broad masses of teachers and further develop education.

From the end of the last year to the beginning of this year, student unrest took place in some of the institutions of higher learning in the province under the influence of the ideological trend for bourgeois liberalization. We must not ignore this kind of symptom. From now on, we must further strengthen and improve ideological and political work on campus, uphold the four cardinal principles, follow the socialist orientation in running schools, and implement in an overall manner the principle of "making education serve the cause of socialism." We must strive to train and bring up competent people with lofty ideals, high moral and educational standards, and a strong sense of discipline for generations to come so that they will serve the four modernizations program.

3) It is necessary to develop cultural undertakings. Cultural departments at all levels should comprehensively and correctly implement the principles and policies of the party and government. They should guard against bourgeois liberalism corruption of the cultural field to ensure that all cultural undertakings proceed in a socialist direction. They should keep to the correct political orientation of serving socialism and the people, uphold the policy of letting a hundred flowers blossom and a hundred schools of thought contend, and mobilize the literary and art workers to go deep into the realities of life and create and present more outstanding literary and art works that reflect the moral features of our age. They should arouse the enthusiasm of all quarters to build more cultural facilities according to plan. The stress of cultural work should be put on mass cultural activities, particularly the rural cultural activities. Great efforts should be made to organize mass cultural and recreational activities, warmly support the cultural and art groups organized by the people in carrying out beneficial activities, and enrich the masses' cultural life to meet the people's need for knowledge, beauty, and recreation under the situation in which a socialist commodity economy is being constantly developed. News, publishing, and radio and television services should provide the people with more and better nourishment for the mind and serve the building of two civilizations. In physical culture work, we must adhere to a principle of integrating popularization with improvement, promote mass sports to improve the people's physique, and at the same time train more outstanding athletes to strive for better performance in national games and other tournaments. In social science studies, we should use the Marxist stand, viewpoint, and methods to conduct research in a creative way on new situations and new questions of socialist modernization, reforms, and opening to the outside world. We should make the social science studies serve economic construction. It is necessary to

continue to do a good job in compiling annals of local history. It is necessary to promote international cultural exchanges and improve the management of cultural markets. We should persistently put social benefit [she hui xiao yi 4357 2585 2400 4135] above all else, correctly handle the relationship between social benefit and economic returns, and promote the building of socialist material and spiritual civilizations.

In public health work, we should adhere to a principle of putting prevention first, making general improvement, considering social benefit, and improving medical care for the people. We should continue to intensify the reform of public health work, improve the service of public health organizations, offer multichannel and multilayer medical care service in various forms, develop medical care associations, and accelerate the development of public health work. Great efforts should be made to train medical personnel, actively develop traditional Chinese medicine, and pay special attention to improving public health organizations and medical personnel in rural areas and particularly the old revolutionary base areas, minority nationalities regions, border regions and coastal islands. We should further enforce public health legislation, seriously implement the "Drug Management Law," "Food Sanitation Law," and "Border Quarantine Law," and severely punish according to law the criminals who manufacture and sell fake medicine or harmful food in disregard of the people's health.

#### 6. Uphold the Four Cardinal Principles and Consolidate and Enhance the Political Situation of Stability and Unity.

Socialist modernization needs a political environment of stability and unity. While undertaking economic construction, government departments at all levels must attach importance to ideological and political work, step up the building of socialist spiritual civilization, and fundamentally ensure a smooth proceeding and sound development of economic construction, reforms, and opening to the outside world.

At present, the central task in the ideological and political field is to carry out a comprehensive and thorough education by positive examples in upholding the four cardinal principles, criticize bourgeois liberalism, and identify our thinking with the line, principles, and policies laid down since the 3d Plenary Session of the 11th CPC Central Committee. Since Fujian began the policy of reform and opening to the outside world, we have constantly emphasized the need to guard against the corruption by decadent bourgeois ideology coming with the opening to the outside world. Generally speaking, however, we have paid more attention to reform, opening to the outside world, and invigorating the economy while putting insufficient stress on upholding the four cardinal principles. We have paid more attention to overcoming "leftist" tendencies, while not doing our best to resist rightist interference. Therefore, we must carry out an education by positive example in upholding the four cardinal principles and criticize the erroneous viewpoint of bourgeois liberalization to further solve the question of why we should keep to a socialist orientation and take a socialist road. As for the

struggle against bourgeois liberalization, our approach must be firm, and we must pay attention to policies and methods and convince people by reasoning things out. We must refrain from launching another political campaign or repeating the "leftist" mistakes of the past. We must strictly adhere to the correct principles and past. We must strictly adhere to the correct principles and policies Comrade Zhao Ziyang has set forth in his government work report at the Fifth Session of the Sixth National NPC: The struggle against bourgeois liberalization will be strictly confined within the CPC and conducted primarily in the political and ideological domain. It will emphasize solving the problems of basic political principles and orientation and will not concern itself with policies of economic reform, rural policies, scientific and technological research, exploration of literary and artistic styles and techniques, or the everyday life of the people. It will not be conducted in rural areas, and in enterprises and institutions there will only be education by positive example. No attempt will be made to ferret out exponents of bourgeois liberalization at various levels, to implicate people at higher or lower levels or to have everybody make self-criticisms. While examining Fujian's actual situation, we must seek truth from facts and be cautious in handling problems concerning people. We must eliminate people's worries by publicizing the "six no-changes" Comrade Zhao Ziyang solemnly declared in his government work report.

While continuing to promote reforms and opening to the outside world, we must heed and intensify ideological-political work. In recent years certain social and economic problems occurring in some Fujian localities have deviated from the course of socialist economic development, violated socialist ethics, and undermined the socialist economic order. Unhealthy tendencies such as placing money above everything else have appeared in society, and serious economic crimes have also occurred from time to time. Thus, we must energetically educate the people on lofty ideals and sense of ethics, disciplines, and law. We must pay great attention to educating young people, firmly combat the inroads of decadent bourgeois and feudalistic ideas, and make great efforts to heighten the people's ideological and ethical sense so as to bring about a fundamental change for the better in public conduct. We must continue to combat irregularities on all fronts, and leading cadres at all levels must set an example in this regard. We should call on urban workers to contribute to socialism, heighten their sense of vocational ethics and responsibility of being the masters of the country, and serve the people wholeheartedly. In the rural areas, we should broadly promote science, healthy recreational activities, freedom of marriage, good neighborliness, and hard work to replace their bad habits characterized by feudalistic superstition, group gambling, mercenary marriage, factional strife, and extravagance. To arouse the masses' enthusiasm to take part in socialist modernization, government departments must carry out ideological-political work to heighten their understanding of certain specific issues about reforms, opening to the outside world, and economic construction through establishing different forms of dialogues with them and by using facts to reason things out with them patiently. To improve public conduct in hometowns of families of overseas Chinese and create a good

social environment there, we should attach great importance to promoting socialist ethics in areas inhabited by families of overseas Chinese.

Fostering socialist democracy is essential for consolidating and developing political stability and unity, mobilizing positive factors in society, and expediting reforms and opening to the outside world. We should take effective measures to foster democracy in political, economic, and social activities so that we can create an atmosphere of democracy, unity, liveliness, and harmony. We should carry out political reform in an orderly manner and in accordance with the plan drawn up by central authorities. Governments at all levels must have a better understanding of the nature and functions of people's congresses. In accordance with the Constitution and the "Organic Law Governing People's Congresses and Governments at Various Levels," they should take the initiative to report government work to people's congresses and their standing committee and accept their supervision. While strengthening administrative supervision, government departments must earnestly implement the party's policies for united front, nationalities, religious, and overseas Chinese affairs, and policies toward intellectuals; and give full scope to the consultative and supervisory roles of CPPCC organs and democratic parties. Government departments must forge closer ties with the masses. They should, through various channels, constantly keep the masses informed of the general and specific policies of the party and the government, their plans, and their difficulties and problems; and they should also encourage the masses to contribute their criticism and suggestions. They should pay great attention to give full scope to the supervisory role of trade unions, CYL organs, women's federations, and social organizations, as well as public opinion.

The socialist legal system guarantees socialist democracy and socialist material and spiritual construction. We must now earnestly implement the NPC Standing Committee's "Decision on Maintaining Stability and Unity by Intensifying Education on the Legal System," continue to popularize law education--especially the Constitution--in a widespread and intense way so that cadres and masses will have a clearer concept of law and civic responsibilities. They will also know how to manage economic and social affairs with legal measures and within the scope of law and how to use law as a weapon to fight lawlessness. We should continue to improve our legislative and judicial work so that there will be law to follow, law will be strictly executed, and any lawless act will be punished. The several laws adopted by the NPC and the several major local laws and regulations promulgated by Fujian in recent years are legal means for maintaining normal political and economic order, promoting stability and unity, and safeguarding economic construction. All government departments and their personnel must set an example in observing and executing them. Giving full scope to their respective functions, public security and judicial departments must foster the good conduct of performing their duties honestly, enforcing law impartially, and doing their jobs loyally and actively; and contribute their services to maintaining public order and protecting lives and property of the state and the people. To intensify comprehensive control of public order and ensure social stability, we must continue to strike at all hostile elements who sabotage the socialist system, and we must punish economic crimes and other

felonies, ban any disturbance of social order, and properly mediate and handle all types of civil disputes and social problems.

This year, members of the governments of counties and townships and some cities will be reelected. This is an important event so strengthen grassroots governments. Because of the reelection, we should work in coordination with the relevant departments so that the operation in various fields can proceed normally as quickly as possible after the new leading bodies have been formed. Meanwhile, we must strengthen the organization of residents' committees in cities and towns and villagers' committees in rural areas, and give full scope to their functions in publicizing party and state policies and regulations, mediating civil disputes, maintaining social order, and reflecting the masses' views.

Fellow deputies, during the new year we must continue to improve and strengthen government work. Personnel of governments at all levels, especially the leading personnel, must make an effort to learn the basic theories of Marxism-Leninism-Mao Zedong Thought; to study modern science, technology, and management; to provide proper guidance for socialist economic construction; to properly execute reform and open policies; and to foster thought on starting an enterprise through arduous struggle. We should heighten our legal concept and execute policies according to law. We must attach great importance to collecting information and set up a more effective information network. To improve operation efficiency, we must improve the methods of our leadership, change the style, and strengthen interdepartmental coordination. We must set up a system of evaluating the performance of government workers--especially those in leading posts--strictly enforce law and discipline, mete our reward or punishment impartially, and firmly combat any act of abusing power for personal gains, and other irregularities. We must firmly combat the bureaucratic attitude of shirking responsibility to the party and the people, conduct investigation and study at grassroots units, and work diligently and without complaint to provide services the people need. The government must step up the development of public services, properly settle retired veteran cadres, and give full play to their capabilities. The government should also take proper care of the livelihood of the aged to who live alone, dependents of martyrs and revolutionaries, and handicapped personnel. More nurseries and kindergartens should be set up to facilitate the growth of young children. Attention should also be paid to militia work and reservist services, and demobilized and retired servicemen should be properly settled. We must continue to support the work of PLA units in Fujian and the work of the armed police force. It is also hoped that they will make new contributions during the new year.

Fellow deputies, people in Fujian earnestly hope that Fujian's economic, scientific, technological, and economic development can be faster. We firmly believe that, with the guidance of the line of the 3d Plenary Session of the 11th CPC Central Committee and the correct guidance of the party Central Committee and the State Council, we certainly can victoriously accomplish all the plans for 1987 and expedite all the construction projects in Fujian as long as people of all nationalities, PLA units, people's police, members of all democratic parties and mass organizations, and people of all walks of life in Fujian work hard together.

## YE XUANPING'S GUANGDONG GOVERNMENT WORK REPORT

HK210840 Guangzhou NANFANG RIBAO in Chinese 2 Jul 87 pp 1, 2, 3

[Report on the Work of the Government" presented by Guangdong Governor Ye Xuanping at the Sixth Session of the Sixth Guangdong Provincial People's Congress, 22 Jun 87--passages within slantlines published in boldface]

[Text] Fellow deputies,

I will now present a government work report to the session on behalf of the provincial people's government. Please deliberate on it.

#### I. Review of the Work in 1986

The year 1986 is the first of the 5 years covered by the Seventh 5-Year Plan. In 1986, the province's national economic and social development continued, yielding remarkable results. Under the correct leadership of the CPC Central Committee, the State Council, and the Guangdong Provincial CPC Committee, the people in the province adhered to the four cardinal principles, held firm to the principle of carrying out reforms, opening the country to the world, and revitalizing the domestic economy, conscientiously implemented the measures prescribed by the State Council for improving and strengthening macroeconomic control, and made unremitting efforts to study and sort out the new situations and new problems that had arisen in the course of the province's economic development, thus giving impetus to the reforms and the pursuit of the opening-up policy. All the tasks prescribed in the "Outline of Work for the Guangdong Provincial People's Government in 1986" have been fulfilled. Following is a brief picture of the overall situation last year: Production grew steadily, various undertakings developed, society as a whole was stable and united, and the people's living standards steadily improved. Evidence of this follows:

##### /1. Macroeconomic control improved and was strengthened and the national economy steadily grew./

Last year, the province's gross product of society was 128.24 billion yuan, up 12 percent from 1985, its gross industrial and agricultural output value was 95.659 billion yuan, a 13.5 percent increase over the previous year and twice that in 1980, and its national income and revenue increased by 9 percent and 11.4 percent, respectively. Its growth rate was higher than the national

average. In spite of the serious shortage of capital and raw and processed materials and the inadequate power supply, the province was still able to overcome its difficulties and keep its industry growing. Last year, the province's gross industrial output value was 64.918 billion yuan, a 15.9 percent increase over the previous year. The output of those marketable products and products in short supply increased significantly. Last year, the province began the production of 1,336 new products and introduced more than 15,000 new versions and new varieties of various products. The pace of technical transformation quickened and the enterprises economic results improved. The difficulties besetting agricultural production, which were brought about by last year's frequent natural calamities, were overcome. Last year, the province's gross agricultural output value was 30.741 billion yuan, a 6.6 percent increase over the previous year. This increase is higher than the 5 percent average annual increase anticipated in the Seventh 5-Year Plan. The rural commodity economy steadily developed and the output of forest, animal, sideline, and fishery products increased. The total income of township and town enterprises increased by over 30 percent. Business was brisk in the urban and rural markets. The total volume of retail sales was 38.72 billion yuan, a 12.8 percent increase over the previous year. The total volume of country fair trade increased by about 30 percent. The volume of foreign and export trade increased significantly. Last year, the total volume of the province's exports was \$4.29 billion, a 41.3 percent increase over the previous year. There were new developments in the use of foreign capital. The special economic zones curtailed capital construction and, while making readjustments, paid close attention to production, tried to upgrade things, and made an effort to develop export-oriented industries. As a result, their production capacities and the volume of their exports grew steadily. Tourism also developed. Economic development helped raise the people's living standards. After adjustment for price rises, the per capita wage of the province's workers and staff members and the per capita net income of the province's peasants increased by 5.7 percent and 7.6 percent, respectively.

Last year, to solve the problem of balancing demand and supply and to keep the economy growing steadily, we conscientiously tried to improve and strengthen macroeconomic control, selectively curtailed capital construction, and tried to check the growth of demand. In addition, we also strove to increase the supply of various products, readjust the production setup and product mix, increase the output of marketable products, alleviate the contradictions between the supply of and the demand for capital, and make the growth rate appropriately lower than that in the previous year, which was difficult to sustain. As a result, we were able to keep the national economy growing at an appropriate rate and to prevent drastic ups and downs in production from adversely affecting society and the economy. All this indicates that the current economic situation is excellent.

/2. As a result of our consolidation, digestion, and perfection of the measures that have been introduced and of the adoption of supplementary measures, the structural reforms developed in depth and contributed to revitalizing the economy./

Last year, we carried out well-coordinated reforms with a view to revitalizing the province's enterprises. In compliance with the State Council's 10 instructions regarding the enterprises' decisionmaking power, we conducted an extensive province-wide survey on the enterprises' vitality and adopted measures to ensure that they were given the decisionmaking power that is rightfully theirs and to protect their legitimate rights and interests, thus creating favorable external conditions for boosting their vitality. To help the enterprises tap their own potentials, the province applied various contracted management responsibility systems among some state-owned enterprises and applied lease and contract systems among some industrial and commercial enterprises. The state-owned enterprises in the province all applied the system of the plant director assuming full responsibility and enthusiastically tried to learn from and publicize the experience of Maoming City in applying the system of achievement of certain objectives by plant directors within fixed terms of office. In addition, the contract labor and employment system was extensively applied in the province. The experience distilled from the enforcement of these reforms was among the things that helped us perfect the enterprises' operational mechanisms and boost their vitality. Breakthroughs were made in the organization and development of economic combines among units on the same levels as far as their scale, scope, and forms were concerned. Last year, the province had 4,941 economic combines and a large number of enterprise groups built around large and medium enterprises emerged. They will play an increasingly important role in stimulating the development of the province's commodity economy.

To develop and perfect the market system, we continued to enliven the market of means of subsistence, lifted the restrictions on the prices of seven industrial consumer goods, magnified the quality and grade price differences, improved supply, and stepped up production. Last year, prices were basically stable. The province's general price index in 1986 rose 4.8 percent over that in 1985. The [word indistinct] was smaller than the national average and the rise was only very gradual. In opening up markets for means of production, labor service, and technology, we were able too bring about some new developments. We executed pilot projects on financial reforms, boldly explored the possibilities, began participating in interprovincial financial accommodation, organized financial accommodation between various industries, and started our push toward the international money market. By being flexible in the policy regarding scientific research organs, scientists, and technicians, we were able to arouse their enthusiasm and quicken the pace of the integration of scientific research with production. All this has contributed to stimulating the province's economic development.

/3. The exploitation of natural resources as a form of agricultural production is developing in the rural areas, thus stimulating the intensive and extensive development of agriculture./

Many leaders have arrived at a new understanding of the strategic importance of agriculture as the foundation of the national economy. In November 1985, the provincial party committee and the provincial government jointly held in Shaoguan, a conference on the work concerning mountain areas and convened

another conference in Zhanjiang on the production of aquatic products in coastal areas. In the same month, the provincial party committee independently held a meeting of secretaries of county party committees in Dongguan to discuss the problem of developmental agricultural production. At the last meeting, the participants earnestly summed up people's experience in "becoming rich by exploiting mountain resources" and "becoming rich by exploiting marine resources." Since then, enthusiasm among people in the province for the cultivation of crops and the breeding of animals as main forms of exploitation of natural resources has run high. People living in mountainous and hilly areas planted forests and orchards and those living in coastal areas went in for the production of aquatic products and fish-breeding. In the Zhu Jiang Delta, people vigorously developed those types of agricultural production that would yield foreign exchange and tried their best to quicken the pace of the development of township and town enterprises. The results were remarkable. Last year, the province devoted 2.37 million mu of land to planting various types of fruit trees and 215,000 mu of sea area to breeding fish and built new fish ponds with a total area of 120,000 mu. Last year, the province hit an all-time-high in the production of fruits and aquatic products. State, collective, and peasant investment in the exploitation of natural resources totaled 1.6 billion yuan. As a result, some collectives and individuals became rich and some parts of the province were able to shake off poverty and become prosperous. The masses of peasants have been convinced by practice that "one can become rich through agriculture." In many parts of the province, traditional forms of agriculture production are now being gradually replaced by specialized and methodical commodity production. As a result, economic results have improved. This shows that agricultural production in the province is now improving both quantitatively and qualitatively and that the province has made a new step forward in developing its agricultural economy.

/4. The unremitting efforts we made to overcome the province's economic weaknesses contributed much to ensuring the sustained development of the province's economy./

The strains on provincial energy resources and communications services and, in particular, the province's power shortage, are "bottlenecks" seriously impeding Guangdong's economic development. A few years ago, we adopted the policy of maintaining roads, bridges, and power plants with the income derived from them, strengthened construction in the areas of energy resources, communications, and telecommunications, paid special attention to construction in the area of power supply, and adopted special and effective measures to ensure smooth progress in the execution of power supply projects. In addition, we continued to improve communications and telecommunications conditions. Last year, investment in power supply registered a 2.9 times increase over the previous year, generators with a total capacity of 226,000 kilowatts were put into use, and generators with a total capacity of 21.25 million kilowatts were built, and electricity was used economically and strictly according to plans. Thanks to the efforts contributed from various quarters, the strains on the province's power supplies were somewhat alleviated. The increased investment in communications and telecommunications

enabled us to build some new bridges. Never before have so many new telecommunications facilities been built in a single year as in 1986. Last year, the strains on communications and telecommunications were alleviated to some degree.

Economic development was sluggish in poverty-stricken areas and mountain areas. The province's overall economic development was also affected by it. Last year, governments at all levels earnestly strengthened leadership over the work concerning these areas, gave appropriate guidance to areas with different types of economies, and, while focusing their attention on the development of the Zhu Jiang Delta and the province's coastal areas, lost no time in organizing efforts to support construction in poverty-stricken areas and mountain areas. As a result, the pace of economic development in the province's mountain areas quickened and their productive forces grew. Last year, the total revenue of the province's mountain counties was 34 percent above the previous year, the total income of township and town enterprises in these countries increased by 47.6 percent, and the net per capita income of the peasants in these countries increased by 9.8 percent. These increases were above the province's average figures. There were fewer poverty-stricken areas last year than in the past. Moreover, some counties, including Nanxiong, Yunfu, and Gaozhou, became prosperous counties by exploiting mountain resources. Many counties which had experienced sluggish economic development were gradually catching up. A heartening picture of coordinated and balanced development between various parts of the province is emerging.

#### /5. The building of socialist spiritual civilization ensured smooth progress in the enforcement of the reforms, in the pursuit of the opening-up policy, and in economic construction./

Last year, we tried unremittingly to deepen our understanding of the strategic importance of the building of socialist spiritual civilization and to strengthen the building of spiritual civilization while making an effort to expand the scope of the opening-up policy and develop commodity production. The results were remarkable. Ideological and political work received much attention and was strengthened. Many civilized activities were organized around the "four haves" educational drive. The drive developed in depth and thousands upon thousands of households were involved in these activities. There were many good people and many good things were done. Scientists, technicians, and educators continued to implement the principle of working to benefit economic construction and improve themselves in the course of development. Last year, 216 of the province's scientific and technological achievements won scientific and technological advances awards and efforts were organized to execute 58 of the 62 projects prescribed in the "Spark Program." The province's institutions of higher learning, special secondary schools, and adult schools produced many useful people for various trades and industries. Training and education were geared to the needs on many levels. Cultural undertakings, the arts, broadcasting, television, the film industry, newspaper, the publishing houses, literary and historical undertakings, and museums developed and expanded, thus proving the people with rich spiritual food. Medical and health services developed while being reformed and

continued to contribute to prevention and treatment of diseases and to protecting the people's health. Remarkable sports achievements were made, preparations for the Sixth National Games were stepped up, and many of the facilities required for the games were completed. Socialist democracy and the socialist legal system were further strengthened. A province-wide comprehensive program for giving people an education in the legal system was executed, with the result that our cadres and the masses were able to enhance their legal sense, their awareness of their citizenship, and their democratic sense. The idea that things must be done in accordance with the law is now a commonly accepted belief among the people. Thanks to the efforts to bring about overall improvements in social order and to deal sternly with criminal and economic offenses, social order and social customs took a turn for the better. Practice has proven that so long as we try persistently to build socialist spiritual civilization in the social context of the reforms and the pursuit of the opening-up policy, people will be able to heighten their ideological awareness, become increasingly attracted to the socialist system, have a better idea of the reforms, and exalt their pioneering spirit. This is an important thing that ensures the province's magnificent economic development and political stability and unity.

After summing up the situation in 1986 and evaluating it against the eight major social and national economic development targets and the requirements for the building of spiritual civilization, one can say that we have proceeded one solid step forward toward the complete fulfillment of these targets. The situation in the first of the 5 years covered by the Seventh 5-Year Plan was excellent.

The year 1987 is crucially important to the execution of the Seventh 5-Year Plan. At the beginning of this year, in accordance with the principles and tasks decided on by the State Council, the provincial government promptly planned its work and concluded that energy should be concentrated on two major tasks: to adhere to the four cardinal principles and oppose bourgeois liberalization with a clear-cut stand; and to adhere to the correct construction principles and step up the drive to increase production, practice economy, boost revenue, and cut expenditure. We should make the reforms thorough-going, expand the scope of the opening-up policy, continue to try to revitalize the economy, strive to balance aggregate social demand and aggregate social supply, and try to base the national economy on long-term steady development. All parts of the province have acted swiftly. They have launched in-depth and thorough-going propaganda and educational campaigns against bourgeois liberalization, thus enhancing the cadres' and the masses' ideological awareness and contributing to consolidating political stability and unity. In addition, they have also combined the drive to increase production, practice economy, boost revenue, and cut expenditure with the reforms. In the first half of this year, the province's economic situation continued to develop satisfactorily. Agricultural production was satisfactory, the area of land for grain cultivation did not diminish, the output of spring grain increased, developmental agricultural production developed, and the area of land and water surface devoted to the growing of fruit and other trees and fish-breeding increased significantly. Between

January and May this year, the province's gross industrial output value was 25.5 percent higher, regional development was more balanced, the number of township and town enterprises was 40 percent greater, the total volume of exports and foreign trade rose by 56.2 percent, and that of retail sales by 17.5 percent compared with those between January and May, 1985. In addition, financial and credit plans were satisfactorily executed. In the first half of this year, revenue increased, expenditure decreased, and loopholes were effectively stopped up. In addition, the province continued to curtail capital construction and reduce the investment in it and stopped building memorial and entertainment halls and buildings. By doing all this, we have laid a solid foundation for the fulfillment of our yearly plans.

Fellow deputies:

Heartening situations are a product of correct guiding principles and correct ideological guidance. The situation described above tells us that the measures adopted by the CPC Central Committee and the State Council since last year to strengthen and improve macroeconomic control, their reform principle of "consolidation, digestion, replenishment, and improvement," and the measures they have adopted since the beginning of this year are both correct and effective. The achievements we have made in our work over the past year have been a result of the correct implementation of the party's and the State Council's policies and principles by the cadres, workers, peasants, intellectuals, and the people of various nationalities in the province. We also owe these achievements to their hard work. Leading bodies at all levels are united and they display a pioneering spirit. The PLA commanders and fighters and armed police units stationed in Guangdong and the province's militiamen have contributed to building the two civilizations by defending the province's coastal and border regions, by upholding stability and unity, and by rushing to deal with emergencies. We also have to thank all democratic parties, mass organizations, patriots, Hong Kong, Macao, and Taiwan compatriots, and Overseas Chinese for their warm support.

In the second half of this year, the reforms and the opening-up policy will be enforced at a quickened pace, the "double-increase and double-economy" drive will be stepped up, and the province's excellent economic situation will thus continue to develop. The major economic targets included in our plans, such as a 10.3 percent increase in gross industrial output value, a 5 percent increase in gross agricultural output value, and a 7 percent increase in the province's revenue, can all be fulfilled so long as we work hard. The situation can be expected to become more and more satisfactory. These are the main trends. We are more than ever before full of confidence in the future of the reforms and construction. However, we should at the same time have an adequate understanding of the difficulties and problems besetting the province's current economic development and of various destabilizing factors. We cannot afford to deal with them carelessly. Some new productive forces were formed during the period covered by the Sixth 5-Year Plan. It is indeed a formidable task to complement these new productive forces with power supplies, a supply of raw and processed materials, and the markets to make the best use of them. The reforms are still far from coordinated and many

national economic relationships have still to be straightened out. Many problems, particularly those of separating ownership from the power of operation, finding management methods suitable to different enterprise characteristics, perfecting the enterprises' operational mechanisms, and making sure that enterprises really have vitality, have yet to be thoroughly studied. This year, we have the new tasks of curtailing expenditure to lend money to the central government [ya zhi shang jie--1090 2388 0006 0234] and of selling key construction bonds to fulfill, in addition to ensuring that there will be enough funds for production, construction, and regular expenditure.

We have great financial difficulties and our tasks are formidable.

Extravagance remains a serious problem in many parts of the province, the foundation of agriculture is still quite weak, there have been frequent natural calamities, grain production is unstable, investment in capital construction and consumption funds is increasing rapidly, prices are going up again, there are many inefficient overlapping organs and organizations, and in many parts of the province and units, there is still the serious problem of unhealthy tendencies and bureaucracy. We should remain sober-headed, seriously study these problems, try to solve them, and strive to better fulfill our tasks.

## II. Enforce the Reforms and the Opening-up Policy More Quickly and Thoroughly Step Up the Drive To Increase Production and Practice Economy

It is an important decision of the CPC Central Committee and the State Council to make the reforms thorough-going and to expand the scope of the opening-up policy by thoroughly stepping up the drive to increase production, practice economy, boost revenue, and cut expenditure. The reforms and the opening-up policy are indispensable to the drive to increase production and practice economy and vice versa. Only by making the reforms thorough-going and by expanding the scope of the opening-up policy can we arouse the enthusiasm of cadres and the masses, give full play to people's strong points, and give impetus to the development of the drive. On the other hand, by thoroughly stepping up the drive to increase production and practice economy, we can most profitably employ our present production capacities, improve economic results, and provide favorable conditions for the reforms and for the pursuit of our opening-up policy. Thus, it is necessary to combine the "double-increase and double-economy" drive with the reforms and the efforts to expand the scope of the opening-up policy, in order to give impetus to the long-term steady development of the national economy. On the basis of this ideological guidance, governments at various levels are required to properly fulfill the following tasks:

### /1. Make the reforms thorough-going and continue to boost the enterprises' vitality./

It is necessary to make the reforms thorough-going and to carry them out more speedily. A problem central to the reforms is to establish, on the basis of socialist public ownership and our actual circumstances, a socialist economic system that is full of vitality, to fully exploit the vitality of state-owned and collective enterprises and individual enthusiasm and creativeness, and to

give impetus to the development of social productive forces. At the beginning of this year, at a meeting of mayors and commissioners, carrying out the spirit of the instructions issued by the State Council, the provincial government made arrangements for the reform of the province's economic structure this year. It is now necessary to combine the major tasks and major demands set in the government work report Premier Zhao Ziyang presented earlier this year, to make the reforms thorough-going, and to make progress in boosting the enterprises' vitality, in enlivening circulation, in reforming the mankind system, and in studying the problem of changing the functions of government organs.

Of central importance to our present economic work and the reform of the economic structure are the tasks of making the enterprise reforms thorough-going, boosting the enterprises' vitality, and enabling them to voluntarily accumulate resources and to transform, develop, and restrain themselves. The chief leaders of governments at all levels should personally attend to and properly handle this matter. First, it is necessary to introduce varied management methods and to solve the problem of the relations between the state and enterprises on the basis of the principle of separating ownership from the power of operation and the replacement of profits by taxes. Enterprises owned by the whole people are free to apply various contract management responsibility systems depending on their circumstances. Large and medium-size enterprises are taxed, as required by the regulations, according to a base figure of profits. Their above-base earnings are either taxed at a reduced rate or to be shared with the government according to a certain ratio. However, they can also assume contracted responsibilities for a progressive increase in that part of the profit turned over to the state. Enterprises making small profits and money-losing enterprises are required to earn their subsidies by assuming contracted responsibilities for increasing profits or reducing losses. Various industries and trades are required to assume contracted responsibilities for input and output. By doing all this, we can gradually bring about a whole set of operational mechanisms that befit enterprises owned by the whole people, really give enterprises the power of operation, and enable them to concentrate their energy on tapping their own potentials and to benefit from new economic results. In recent years, various departments and localities have conducted much fruitful and constructive research on contracted management responsibilities. It is necessary to earnestly sum up their experience, to extensively apply it, and to try unremittingly to improve on it. Second, it is necessary to properly reform the enterprises' internal distribution system and to introduce a link between gross payroll and economic results, in order to make wages vary mainly with economic results. It is also necessary to give enterprises completely authority over wage distribution. This reform can help us arouse the workers' enthusiasm, revitalize the enterprises, and improve macroeconomic control. The benefits an enterprise receives as a result of the application of the contracted management responsibility system should mostly be used in technical transformation. Its consumption and welfare spending should be commensurate with improvements in economic results and the growth of productivity. Depending on the circumstances of various enterprises and localities, this reform can be carried out in different ways. However, it must be carried out

in a planned and step-by-step manner. In wage and premium distribution, an enterprise should discard egalitarianism, calculate wages strictly according to work, and try to magnify wage differences. It is necessary to adopt effective measures to resolutely stop people from arbitrarily exacting charges from the enterprises and from arbitrarily imposing fines on them and to protect their legitimate rights and interests. Third, it is necessary to extensively apply the system of the plant director assuming full responsibility, the system of the plant director (manager) undertaking to achieve certain objectives within a fixed term of office, and the system of auditing at the end of a term of office [zhong qi shen ji zhi--4807 2601 1399 6060 0455]. Fourth, it is necessary to devote further efforts to enforcing the measures for reforming the labor system. Fifth, it is necessary to continue developing lateral economic ties, to build economic components around large and major enterprises producing the same products, and to form multi-layered, transregional, transsectorial, and intertrade enterprise groups, in order to bring about a specialized cooperation system and to most satisfactorily group the key elements of production. It is necessary to encourage competition between enterprises in the same industries or trades and to prevent the formation of monopoly enterprise groups.

An important way to boost enterprise vitality, enliven the socialist commodity market, and facilitate economic development is to make a success of the reform concerning circulation. At present, it is necessary to pay close attention to the reform of retail trade and supply and marketing cooperatives and to further open the market of means of production, in order to facilitate the circulation of goods, make the best use of everything, stimulate the development of production, and meet the masses' consumption needs. It is necessary to quicken the pace of the reform of small state-owned retail stores and the catering industry, to have more of them "leased," to "transfer" (their ownership), to "transform" them (into collectively run units), and to continue to apply other effective methods. In reforming the supply and marketing cooperatives, it is necessary to harmonize their internal relations and their relations with the state and rural economic components, in order to make them really the peasants' collective commercial units and to enable them to form lateral economic associations, establish new agricultural-commercial and industrial-commercial combines and cooperative organizations, apply various contracted management responsibility systems, and provide better pre-production, in-production, and post-production service for the rural economy. In the second half of the year, it is necessary to make the proper arrangements for the procurement, allocation, and supply of the major agricultural and sideline products, such as grain, edible oil, pigs, sugar cane, and so on and to arrange a good supply of nonstaple foodstuffs, which are of crucial importance to the people, marketable durable consumer goods, and those small commodities which people find indispensable.

It is necessary to further open the market of means of production. The restrictions on goods and materials except those which are distributed according to the state's mandatory plans, which specify the varieties, quantity, and range of goods and materials to be distributed, will be gradually lifted. If users of steel products find the steel products

distributed to them not of the types they want, they are allowed to sell them at market prices and to buy, also a market prices, the right type of steel products from the market. The purpose of this is to stimulate the circulation and exchange of steel products. All circulation reforms must be such that they are conducive to stabilizing market prices and the people's livelihood and to stimulating the development of production. It is necessary to strengthen the control of market prices and to stress the dominant role played by state-owned commercial organizations in regulating supply and demand and in stabilizing prices. It is necessary to strictly control the goods and materials whose prices are governed by a "double-track system [shuang gui zhi--7175 6510 0455]" and to resolutely check and crack down on those people who try to drive up prices, speculators, and those who try to reap staggering profits.

Our province is required to launch a pilot project on the reform of the country's banking system. It is necessary to try, energetically, carefully, and in adherence with the unified arrangements, to make the reform of the banking system a success. The purpose of the reform of the banking system is, under the state macroeconomic guidance and by economic means, to encourage capital accommodation, to guide the flow of capital, to speed up capital turnover, to use capital more profitably, to tap the community's financial resources, to make good use of the idle capital in society and in people's hands, and to bring about favorable conditions for stimulating production, for expanding circulation, for revitalizing the enterprises, and for sustaining national economic growth. Thus, it is necessary to help the central bank [as published] function better as a macroeconomic regulatory and control body, to gradually establish a multi-layered macroeconomic regulation and control system, to apply financial means in regulating the national economy, to turn specialized banks into commercial enterprises so that they can operate independently and will assume sole responsibility for their own profits and losses, accept their own risks, maintain their own balance, and apply the system of the president assuming full responsibility and the system of the achievement of certain objectives within a fixed term of office, to develop various types of banking institutions, to effectively use various accommodation tools, to develop various types of credit business, to open up more fund-raising and accommodation channels, to develop the money market, to build networks of lateral financial ties, and to gradually perfect the socialist banking system. The reform of the banking system involves many things and is highly complicated. In the course of this reform, it is necessary to boldly explore on the one hand and to work in a down-to-earth manner on the other. It is necessary to launch pilot projects in large and medium cities and those cities in which the commissioners' offices are located, to distinguish between different types of areas, and to proceed from one level to another, in order to establish a banking system that is compatible with the province's economic development.

It is necessary to explore the reforms that are aimed at changing the government's management functions. As a result of the in-depth development of the reform of the economic structure and of the gradual formation of a socialist market, the management of enterprises by governments at various

levels will be based on the principle of separating government from enterprise functions and the predominance of direct management will gradually be replaced by the predominance of indirect management. To adapt ourselves to the changes in government functions and to strengthen macroeconomic management, it was necessary to reform government organs, to streamline and merge those economic departments which directly manage the enterprises, to appropriately reinforce and strengthen the departments responsible for general management, economic supervision and regulation, and political and legal work. In future, it is necessary to transfer some core members of the staffs of the streamlined or merged departments to the department responsible for political and legal work, the taxation departments, industrial and commercial administration departments, banking and insurance departments, land management departments, the supervisory departments, and the news and publications departments, in order to reinforce them. This reform will be carried out mainly in the cities and counties this year. At present, it is necessary to pay close attention to the pilot projects being executed in Jiangmen, Shaoguan, and Zhanjiang cities, and Guangzhou's Yuexiu District on the reform of government organs and to extensively apply the experience of Qionghai and other counties in carrying out multi-purpose reforms. Concerning the reform of the administrative corporations, it is necessary to comply with the State Council's demands by speedily transforming the existing administrative corporations into business and service economic bodies and to delegate their original administrative functions to the relevant administrative departments. As for those administrative corporations which need not continue to exist even in other forms, it is necessary to resolutely abolish them. Governments at all levels must see to it that this is done. It is necessary to continue to pay close attention to the pilot projects on the housing reforms.

## /2. Extensively develop the rural economy and never slacken grain production/

Not long ago, the provincial party committee and the provincial government jointly held a second conference in Maoming on the work concerning mountain areas while the former independently held a meeting in Zhanjiang of secretaries of county party committees. On these two occasions, the participants were further mobilized and further plans were made for developing the rural economy and, in particular, the economy of the mountain areas. Governments at all levels should earnestly implement the spirit of these meetings, extensively mobilize people, give them the proper guidance, and, on the premise that attention will not be diverted from grain production, continue to step up development of agricultural production, support the township and town enterprises, and rely on science and technology, thus facilitating extensive rural economic development.

Grain is a special commodity that is of crucial importance to the national economy, the people's livelihood, and social stability. Extensive rural economic development must be based on a steady increase in grain output. Each year, the province has to obtain a considerable quantity of grain from other parts of the country. The area of land for grain cultivation was decreasing prior to 1985. In 1986, in spite of the resolute measures adopted, it still decreased by 50,000 mu. Over the past 2 years, because of the frequent

natural calamities, both grain output and the per unit area yield have decreased. However, the natural growth rate of the province's population rose and the urban populations grew rapidly in this same period. As a result, the volume of the sales of grain increased. Leaders at all levels should pay close attention to this situation. We are now applying a grain contract system all over the province. Each locality should keep a proper grain record and properly handle the relationship between grain production and diversification. In formulating agricultural plans, it is necessary to attach primary importance to grain and to regard the production, supply, and marketing of grain as matters of primary importance. It is necessary to resolutely prevent the area of land for grain cultivation from decreasing, to protect existing cultivated land, and to energetically reclaim land. People are allowed to use only waste land, hilly land, and beaches, but not cultivated land, for the cultivation of industrial crops and the production of aquatic products. Unauthorized use and occupation of land is absolutely forbidden. It is necessary to try to increase the per unit area yield of grain by introducing high-yield fine strains and by applying advanced farming technology, to adopt various effective measures and policies to arouse the peasants' enthusiasm for grain cultivation, to fulfill the task of contracted procurement of grain through the implementation of the policies currently in force, and to take grain production into consideration before everything in the supply and distribution of means of production. This year, we must see to it that grain output reaches 38 billion jin, thus laying a solid foundation for the growth of developmental agricultural production and for extensive rural economic development. It is also necessary to prevent any decrease in the area of land for the cultivation of sugar cane, to increase the per unit area yield and total output, and to ensure that the existing sugar mills will be "well fed."

Developmental agricultural production is an important way to help the mountain areas shake off poverty and to stimulate rural economic development. To promote developmental agricultural production, which is developing rapidly, it is necessary to do three things: First, on the basis of local conditions, local resources, and local circumstances, choose the types of products which we produce best and, while concentrating our energy on producing those products, give impetus to the development of other industries and trades at the same time. Second, pay close attention to both production and circulation at the same time, increase production and open up markets at the same time, make circulation produce a stimulating effect on production, devote further efforts to market forecasting, do a good job of planning, and, on the basis of comprehensive investigations and discussion, combine local strong points with the demand on the market, and decide on the course, focuses, scale, and rate of development. And third, pay close attention to providing pre-production, in-production, and post-production service for development agricultural production, coordinate production, processing, preserving, storing, and transportation, and merge them into an integrated process, and try unremittingly to derive more profits from agricultural products and make out operations more profitable. Only by doing all this can we further arouse people's enthusiasm for developmental agricultural production and more effectively propel its development.

An important way to boost the rural economy is to vigorously develop township and town enterprises. Township and town enterprises are now developing in the face of new opportunities and new challenges. On the one hand, as a result of the extensive development of developmental agricultural production, there is an urgent need for various services, such as the processing, transportation, and marketing of agricultural and sideline products, to catch up with it. On the other hand, as a result of the development of the commodity economy, all enterprises must compete with one another on the market and only the best of them can survive screening. All localities should have adequate understanding of this new situation, pay close attention to the technical transformation of township and town enterprises without delay, improve business management and their own quality, try to cut costs and the consumption of materials, try to improve themselves in the course of competition, and seek development while improving themselves. Leaders at all levels should continue to implement the principle of "enthusiastically supporting people, making reasonable and rational plans, giving correct guidance, and improving management" and encourage townships (towns), villages, combines, cooperatives and individuals to establish and develop township and town enterprises on many levels, in varied ways, and through various channels. Depending on the types of resources and local conditions, it is necessary to lay emphasis on establishing enterprises to process agricultural and sideline products, exploit local resources, export goods, and earn foreign exchange and to correspondingly develop tertiary industry, in order to build a production-management-circulation network.

To extensively develop the rural economy, it is necessary to prevent agricultural input from decreasing, to try to increase it, to try to improve production conditions and the ecological environment, and to reserve more resources for future agricultural development. It is necessary to properly maintain and reinforce irrigation and water works, to harness the rivers, to build forests, to strictly forbid the arbitrary felling of trees, to devote vigorous efforts to protecting the forests and to fire prevention, to protect the forest resources, and to prevent soil erosion. We should solve the problem of agricultural funds mainly by increasing the output of the types of commodities which are in great demand all over the country and all over the world and by counting on the commodity and labor accumulation in the rural areas. In addition, it is necessary to properly use bank loans and to make vigorous efforts to introduce investment from abroad and establish lateral ties at home. The state will also give us the appropriate assistance and gradually increase its investment in agricultural production each year.

### /3. Readjust the industrial product mix, increase the output of marketable products, and improve economic results./

In the course of the "double-increase and double-economy" drive, it is necessary to subject industrial production to centralized planning, to make its setup rational, to concentrate our energy on improving economic results, to tap the enterprises' internal potentials, to improve business management, to continue to readjust the product mix, to improve the quality of products,

to reduce consumption, and to devote vigorous efforts to making up losses and increasing surpluses.

In recent years, the province's industrial departments have enhanced their ability to adapt themselves to market changes. However, it is obvious that the rising living standards have led to rapid market changes and that the marketability of commodities and, in particular, daily consumer goods, is becoming more and more short-lived. Enterprises should always direct production in the light of market information, formulate long- and medium-term production plans and strategies on the basis of market trends, enhance their ability to adopt themselves to changes and unforeseen circumstances, and try to establish a production system that suits the market. All products must be for sale on the domestic and international markets and be produced in accordance with international standards. Enterprise leaders must be flexible enough to make adjustments according to market changes and should have a strong sense of market and a competitive spirit. Only with these qualities can they direct enterprises and production, achieve substantive results, and ensure that the enterprises under their leadership will always be successful.

To make our products marketable, it is necessary to regulate production by means of various economic levers, such as prices, credit, and taxation, and by applying various technology policies, to restrict the production of items that do not sell well, to replace obsolete products, and to stimulate the production of quality products and products in great demand. Industrial departments should closely cooperate with commercial and supply and marketing departments in opening up markets, in unclogging sales channels, and in promoting product sales. We should also devote further efforts to comprehensive quality control, stress the primary importance of quality, speed up the technical transformation of enterprises, upgrade our products, try to produce more famous brand products, and develop new ones.

The province's supply of raw and processed materials for industrial production is under strain. Apart from raising funds for developing the materials industry, we should also properly organize the import of raw and processed materials, conduct a checkup of warehouses, make better use of stored goods, recover useful materials, from old and waste products, make exhaustive use of materials, and strive to reduce consumption. It is necessary to devote further efforts to upholding production safety. This year, as far as industry is concerned, we must comprehensively improve economic results, make up losses; increase surpluses, reduce the consumption of materials and energy, and speed up capital turnover. This year, relevant departments at all levels should devolve the responsibilities for the attainment of various economic results at each level down to the individuals.

/4. Develop foreign economic relations and trade and try to earn more foreign exchange income by expanding export trade./

Foreign economic relations and trade are becoming increasingly important in Guangdong's economy. In recent years, out of each 100 yuan of industrial and agricultural output value, 10 is the output value of export industrial and

agricultural products and, out of each 100 yuan of industrial output value, 15 is the output value of export industrial products. A fair amount of the capital the province has spent on construction and the technology and facilities the province is applying has been introduced and imported from abroad. The coastal areas have gone even further. The effects of the development of the province's foreign economic relations and trade on its economic growth are easily observable. We should properly, flexibly, and faithfully implement the policies formulated by the central authorities and try to speed up the development of the province's foreign economic relations and trade while trying to open the province to the world at a quicker pace.

It is necessary to expand foreign trade when conditions are ripe. The growing demand on the international market and the appreciation of some currencies gives us an advantage in competing with others on the international market. We should take advantage of this opportunity to coordinate the relations between various parties and to fully arouse people's enthusiasm for earning more foreign exchange by exporting more goods and, on the basis of our remarkable achievements in the first half of the year, strive to overfulfill the yearly foreign trade and export plans. Expansion of foreign and export trade should be based on improved business management. It is necessary to devote vigorous efforts to reducing circulation and production costs and to improving product quality and packing, and storage and transportation facilities. It is necessary to speed up the establishment of an export product manufacturing system and to build stable bases for the production and supply of export products. Apart from developing the existing bases for the production of export products, it is necessary to pay special attention to developing light industry and textile industry, the production of machines and electrical appliances, handicraft industry, building materials industry, and the production of aquatic products and to devote vigorous efforts to developing and producing some "major products" which have great competitive power on the international market and which can bring in much foreign exchange. The provincial, city, and county authorities should exercise overall leadership over the planning for projects connected with the establishment of the export product manufacturing system, coordinate the plans and projects, and improve management.

Another important way to expand foreign trade is to open up overseas markets. We should pay special attention to expanding trade with North America, Western Europe, and Japan and gradually readjust our choices of export markets. It is necessary to operate flexibly, to have quick access to market information, to choose the right target commodities [mu biao shang pin 4158 2871 0794 0756], to expand small business undertakings, and to concentrate great energy on major bargains. It is necessary to learn to do business with big foreign companies and well known foreign businessmen, to train people, by various means people, by various means and through various channels, to be proficient in foreign languages and familiar with international trades and various laws as quickly as possible, and to boldly use talented people and take advantage of various types of relations, so we can expand our overseas trade.

External economic work should be closely combined with our efforts to expand foreign trade. It is necessary to properly handle the relationship between the expansion of export trade and the use of foreign capital, to learn to use foreign capital to develop the production of export products, and to properly direct the use of foreign capital. Governments at all levels and the relevant departments should conscientiously implement the State Council's regulations on encouraging foreign investment and the relevant measures prescribed by the provincial government, further improve the investment environment, and enthusiastically support endeavors to make the existing foreign enterprises a success. All cities should assign organs and personnel to directly handle foreign businessmen's complaints, to answer inquiries, and to help foreign enterprises overcome the difficulties and problems they encounter. By doing all this, they can make the overall conditions and the "microclimate" favorable to their survival and development. It is necessary to give better macroeconomic guidance to users of foreign capital, to earnestly improve coordination and the management of the use of foreign capital and to make investment yield better results. New projects must be executed in accordance with the procedures for carrying out capital construction and feasibility studies must be properly conducted. It is necessary to rationally guide the use of foreign capital and to stress export projects that can yield foreign exchange income, import projects to replace our facilities [jin kou ti dai xing xiang mu--6651 0656 2583 0108 0992 7309 4158], technical advancement projects, technical transformation projects, and the basic industries. It is necessary to pay close attention to "software" imports, to improve on imported projects, to devote vigorous efforts to assimilating and digesting imported advanced facilities, and to make innovations. In raising foreign loans, it is necessary to limit the total amount and to take our ability to repay debts into consideration. The raising of foreign loans, guarantor's service, and the issuance of bonds are all within the bounds of our foreign exchange control and everything must be strictly examined before approval is granted. It is necessary to continue to develop "three forms of important processing and compensation trade" with a view to expanding export trade, earning more foreign exchange, providing more jobs, and training management personnel. We should pay closer attention to raising the contract fulfillment rate and the foreign exchange settlement rate and strive to expand leasing business.

It is necessary to encourage the coastal areas to continue to play their important role in developing the province's foreign economic relations and trade. Over the past 2 years, the special economic zones have gradually switched from laying a foundation to developing production, upgrading things, and starting an export-oriented economy. A new situation, which is characterized by sustained economic development, has emerged in the special economic zones. This year, it is necessary to go further in using foreign capital, in introducing advanced technology and management methods, in developing the export-oriented economy, and in thoroughly exploring the reforms and to encourage the special economic zones to continue to play the role of "windows." The open coastal cities, Hainan Island, and the Zhu Jiang Delta Economic Zone should, on the basis of their own development strategies and special characteristics, consolidate the results yielded by the pursuit of the opening up policy, speed up the development of export-oriented industries,

combine export-oriented industries with the type of agricultural production which is aimed at earning foreign exchange, and try to make more new achievements in using foreign capital, expanding export trade, and earning foreign exchange. In addition, they should also properly establish lateral ties with other parts of the country and continue to play the role of "radiators."

Non-trade foreign exchange earnings constitute an important source of foreign exchange earnings in Guangdong. Last year, over 21.4 million people entered China through Guangdong's ports, accounting for over 90 percent of the total of people entering China. Further efforts should be made to exploit Guangdong's strong points, such as its numerous Overseas Chinese connections and its vicinity to Hong Kong and Macao, to expand numerous channels, to vigorously develop tourism, and to strive to increase foreign exchange income by exporting labor services, contracting foreign projects, and encouraging overseas remittance.

/5. Guarantee key construction projects by reducing the investment scale and adjusting the investment pattern./

Reducing the scale of investment in capital construction is a priority in reducing Guangdong's expenditure this year. It is also an important measure for achieving a basic balance between total demand and total supply. Governments and departments at all levels must uphold the principle of "acting according to our capability" and the policy of "three guarantees and three reductions," continuously keep the scale of investments in fixed assets under strict control, and guarantee key construction projects by reducing the investment scale and adjusting the investment pattern. In our specific arrangements, we must guarantee first, power supply and second, communications and water conservation projects. Investments in other fields must be reduced. It is especially necessary to continuously keep under strict control the construction of guesthouses, multi-purpose buildings, and recreation areas. The focal point of productive projects is to grasp well the projects under construction and those to be completed this year so that they can yield investment returns as quickly as possible. New projects must be kept under strict control and the construction of those projects which yield poor economic returns, are not well-coordinated, or are not provided with sufficient funds must be resolutely suspended or delayed. In addition to adopting effective measures to strictly control investments in state projects according to state plans, it is also necessary to manage and guide collective and individual investments by appropriate means.

While reducing the investment scale, we should guarantee key construction projects. Generating equipment with an installed capacity of 1.14 million kilowatts will be completed and commissioned this year. Therefore, the acute power shortage in our province will be further alleviated in the second half of this year but the strains on energy will still exist for a long time to come. For this reason, it is necessary to continuously develop the power industry. Not only should we grasp well the projects to be commissioned this year, we should also make efforts to grasp a number of projects still under

construction in order to spread out the layout of power construction projects. Meanwhile, we should muster our financial and material resources to guarantee the progress of such key construction projects as communications, water conservation, and raw and semi-finished materials.

/6. Grasp well the link of "increasing income, cutting down expenditures, and stopping loopholes" to ensure a balance between receipt and expenditure./

In increasing production, practicing economy, increasing income, and cutting down expenditures, it is most fundamental to increase production and income. Efforts should be made to increase production, invigorate circulation, open up financial resources, strengthen management of taxation, and vigorously increase revenue so that financial revenue can be built on a firm basis. Meanwhile, it is necessary to pay close attention to practicing economy and cutting down expenditures. In recent years, our province's financial expenditures have increased drastically. In total disregard of their financial capabilities, some localities and departments have launched many projects, going in for ostentation and extravagance and pursuing excessively high standards. The practices of inviting people to dinner, sending gifts, going on tours, and spending and wasting freely at public expense are still rampant. Moreover, there are many loopholes in the management of finance and taxation. This year, the state has taken the measures of reducing local expenditures and borrowing from the local governments for three successive years to guarantee the reform and key construction projects. Our province is assuming the tasks of reducing expenditures by, and lending to the central government, 677 million yuan; subscribing 249 million yuan to key construction project bonds.; and increasing the energy construction funds by 230 million yuan. This, plus the increased expenditure resulting from the raising of the grain purchase price, has increased the province's financial burdens by over 1 billion yuan a year. Under these circumstances, we must be determined to tighten our belts, to strictly keep various expenses under control, and to resolutely fulfill the expense-reduction task assigned by the central government and to maintain the balance between receipt and expenditure by the method of "increasing income, cutting down expenditures, and stopping loopholes." In financial expenditures, with the exception of guaranteeing wage payment, grain price subsidies, and some special-purpose funds, all other expenses should be appropriately reduced. Stress is on reducing such non-productive expenditures as capital construction projects built with self-raised funds and administrative expenses. At the same time, we should pay attention to managing well extra-budgetary funds and social funds and guide them to the development of urgently needed products by direct or indirect means. Leaders at all levels should know how things stand with regard to financial receipts and expenditure, bank savings and loan, and capital sources in their own localities and keep expenditures within the limits of their financial capabilities and income. It is absolutely necessary to ensure regular expenditures with regular incomes. Under no circumstances should they indiscriminately and willfully increase expenses. Further efforts should be made to strengthen financial management and auditing supervision, enforce financial discipline, and check every form of tax evasion, and put an end to extravagance and waste and various other malpractices. On the one hand, we

should conscientiously implement measures for cutting down expenses and stopping loopholes and, on the other hand, we should open up all financial resources and increase production and income. In this way there can be no possible danger of failure.

#### /7. Develop science and technology and make a success of educational undertakings./

The core of the movement to increase production, practice economy, increase income, and cut down expenses is to rationally and effectively utilize social and natural resources and to improve social benefit and economic results in an all-round way. This makes it necessary to attach great importance to, and rely on, scientific and technological advances.

In developing science and technology, it is important to push forward the reform of scientific and technological structure. It is necessary to implement the State Council's "Regulations on Further Advancing the Reform of Scientific and Technological Structure" and the relevant regulations of the provincial authorities, to fully arouse the initiative of scientific and technological units at the grass-roots level and of scientists and technicians, and to promote better integration of science and technology with production. At present, we should implement the policies, which have been relaxed, to the grass-roots units and individuals, continue to make a success of the system of hiring scientists and technicians for appointment, and encourage and help scientific research units and production units set up numerous forms of association. We should encourage and help scientific research units, scientists, and technicians to contract for scientific research projects of production and construction, to contract for or lease enterprises, or to set up various forms of technological development, service, and trade institutions. We should also encourage and help scientific and technical personnel to engage in concurrent jobs in their spare time and, in particular, contract for scientific and technological projects in mountain areas. It is necessary to fully reflect these policies by grasping and publicizing typical examples.

To make science and technology more satisfactorily serve technological transformation in enterprises and the rejuvenation of the national economy, we must concentrate on properly carrying out the following tasks this year: First, organize the tackling of technological problems around major topics in economic development and energetically popularize and apply scientific and technological achievements. Second, in light of the special features in different localities, conscientiously organize and carry out the "Spark Plan" centering on products. Third, help enterprises do a good job of importing, assimilating, and absorbing technologies and breaking new ground in technology. Fourth, make further efforts to open up the technology market to enable scientific and technological achievements to rapidly develop into productive forces through market transfer.

The key to developing science and technology and improving the quality in the whole nation lies in making a success of the educational undertakings and

training skilled personnel. It is necessary to continuously uphold the principle of running schools by numerous channels, to further improve teaching conditions, to adjust the educational pattern, and to improve teaching quality. We must advocate a social climate of respect for teachers and stabilize the ranks of teachers. Efforts should be made to train by various means skilled personnel for multiple purposes. This year, the institutes of higher learning and secondary technical and vocational schools are scheduled to recruit more students. Meanwhile, we should continuously popularize the system of 9-year compulsory education and vigorously develop teacher-training and adult education. On the basis of economic development and increased income, the province and the localities should appropriately increase educational outlays. The educational departments should carry forward the spirit of running schools through diligence, thrift, and hard work and use the limited funds properly.

/8. Vigorously help the poor and mountain areas develop the economy./

Vigorously developing poor and mountain areas is of great importance to the prosperity of the people in these areas and the rapid economic development of the province as a whole. We should conscientiously implement the policies put forward by the provincial party committee and government and, while continuously developing the Zhu Jiang delta and the coastal region, and vigorously support the poor and mountain areas so that their economic development may reach a new level. The people in the mountain areas should establish confidence, work hard, and satisfactorily and flexibly apply the policies on mountain areas. They should chiefly rely on their own strength to change their backwardness as speedily as possible.

In helping the poor and mountain areas develop their economy, we should have a clear-cut guiding idea and be by helping them develop production, improve communications, invigorate the circulation channels, and enhance their ability to develop on their own. Government departments should bring the development of mountain areas into line with their plans, help the mountain areas make proper arrangements for the production layout and choose key projects which need little investments, yield great returns, and can stimulate the overall situation, and support them in terms of financial and material resources and technology. Unremitting efforts should be made to do a good job of linking various departments with counties in mountain areas at selected points. It is necessary to continuously implement various preferential policies toward poor and mountain areas and adopt the method of allocating subsidies in advance to help the counties in financial straits achieve financial self-sufficiency as soon as possible. Top priority should be given to the development of projects suited to counties in mountain areas. Economically developed areas should be encouraged to vigorously develop economic associations with the mountain areas to engage in developmental production. Scientific and technological departments, universities, and colleges should establish scientific and technological links with the mountain areas and provide scientific and technological services for their development. Educational departments should increase the number of students recruited from the mountain areas so as to train various skilled personnel for the areas. In supporting the mountain

areas, we should deal with each case on its merits, stress the main points, and carry them out in a planned and systematic way, by stages, and in groups. We should work in a down-to-earth way to achieve definite results. We believe that by persevering in this way for several years we shall be able to bring forth a brand-new situation in the economic development of the mountain areas and the living standards of the people there will improve markedly.

### III. Step Up the Building of Socialist Spiritual Civilization and Legal System

Stepping up the building of socialist spiritual civilization and the legal system is an important component in the overall layout of China's socialist modernization program, an important aspect for turning China into a modern socialist state with a high degree of civilization and democracy, and a fundamental guarantee for the long-term and steady development of the Chinese economy and the perpetual political stability of our country.

At present, the level of China's economic development is much inferior to that of the developed capitalist countries. The superiority of the socialist system has not been fully exploited. To build a developed socialist state with Chinese characteristics, the fundamental thing is to develop production. It is necessary to uphold the correct policy of reform, opening up, and invigorating the economy and develop the socialist commodity economy and social productive forces. We should not carry out construction behind closed doors, refusing to make progress; nor should we indulge in empty talk about developing social productive forces and building socialism without developing the commodity economy. If we depart from the policy of reform, opening up, and invigorating the economy and the development of the socialist commodity economy, there would be no socialism with Chinese characteristics. Therefore, we should flexibly integrate the four cardinal principles with the policy of reform, opening up, and invigorating the economy. We should carry out not only the building of socialist material civilization but also the building of socialist spiritual civilization and the legal system under the conditions of opening up and invigorating the economy.

Under the conditions of opening up to the outside world and developing the socialist commodity economy, we should first note that, over the past few years, people have come into extensive contact with many new things from abroad, broadened their vision, emancipated their minds, increased their knowledge and skills, imported funds, advanced technology and experience, and stimulated economic development. This has tremendously stimulated the building of socialist spiritual civilization and further increased our influence abroad. Over 20 million people enter China through various ports in Guangdong each year. This has not only strengthened the friendly feelings between us and the Overseas Chinese, the compatriots from Hong Kong, Macao, and Taiwan, and the peoples of various countries, but also removed the many misgivings and misunderstandings which the outside world may have about our country, expanded our political influence, and won over the hearts of the people of the world. Naturally, in opening up to the outside world and developing the socialist commodity economy, we can hardly avoid some negative factors and ugly

phenomena. We must keep a clear head about this. But these negative and ugly things are by no means the inevitable results of implementing the policy of opening up to the outside world and invigorating the economy. They should never shake our fixed national policy of opening up to the outside world and the correct policy of developing the commodity economy. With regard to these negative and ugly things, we must uphold the principle of clearing away the pollution but not opposing everything foreign, and conduct vigorous struggle against them. We should step up ideological and political education by ideological means, strengthen cultural management and supervision, and raise people's ability to distinguish right from wrong, to be immune against disease, and to resist corrosion; we should use legal means to crack down hard on serious criminal offense, economic crimes, and all other criminal activities and eliminate various ugly phenomena to turn out country into a socialist society with a high degree of civilization and democracy. In recent years, we have attained some results in these fields. At present, governments at all levels should conscientiously implement the "Plan for the Building of Socialist Spiritual Civilization in Guangdong Province" and continue to make a success of the following tasks:

/1. Continuously conduct education in the four cardinal principles in a deep-going way./

Upholding the four cardinal principles and upholding the policy of reform, opening up, and invigorating the economy are the two basic points in building socialism with Chinese characteristics. Being interdependent and complementing each other, neither is dispensable and neither should be overemphasized at the expense of the other. Some time ago, we launched the struggle against bourgeois liberalization. As a result, the situation in which the trends of bourgeois liberalization were rampant has been reversed, the vast numbers of cadres and people have gained a new understanding of the harmfulness of bourgeois liberalization trends and gained a deeper understanding of the need to uphold the four cardinal principles, and political stability and unity has been preserved throughout the province. However, to liquidate the influence of bourgeois liberalization trends, it is still necessary to do a lot of arduous work. At present, we should, in line with the plans of the CPC Central Committee and the provincial party committee, persist in conducting in-depth education in upholding the four cardinal principles. We should encourage people to comprehensively understand, in light of the excellent results our province has achieved in reform and opening up to the outside world over the past 8 years, the two basic points and enhance their consciousness in implementing the line, principles, and policies laid down since the 3d Plenary Session of the 11th CPC Central Committee so that most people can understand what the four cardinal principles are and why it is necessary to safeguard them, and what we should do to uphold these principles in practice. We should not approach the policy of reform, opening up, and invigorating the economy with the idea of bourgeois liberalization, nor should we approach the four cardinal principles with ossified concepts.

Leaders at all levels should oppose bourgeois liberalization with a clear-cut stand. They should, in strict accordance with the stipulations of the CPC Central Committee, define the scope of the struggle within the Communist Party, chiefly in the political and ideological field, with the stress on solving fundamental problems of political principle and orientation, without involving the economic reform policy, the rural policy, scientific and technological research, and exploration of literature and art styles, or the people's daily life. It is necessary to resolutely carry out the principle of "no changes in six aspects" as Premier Zhao solemnly proclaimed at the Fifth Session of the Sixth NPC, to push forward the sound development of this struggle.

/2. Continuously conduct education in the "four haves" in a deep-going way./

Training a generation of new people having lofty ideals, moral integrity, general education, and a sense of discipline is the fundamental task for building socialist spiritual civilization. At present, we should stress education in lofty ideals and discipline. We should deal with different people in different ways and tell the masses to link the realization of socialist modernization, which is a common ideal, with the objectives of development and the tasks of their localities and units and with personal duties and pursuit of life so as to enhance all workers' dedication and sense of responsibility. With leadership and in an organized way, schools of all types should encourage the students to take part in social practice and to come into contact with new things. They should use the practical achievements in construction and reform to conduct education in lofty ideals.

In building socialist spiritual civilization, it is necessary to continue to vigorously carry forward the "five loves" spirit, namely, loving the motherland, the people, labor, science, and socialism. All trades and professions must step up education in professional ethics and encourage everyone to serve and be served. We should oppose with a clear-cut stand all ideas and acts of pursuing personal interests at the expense of others, seeking private gain at public expense, and putting money first in everything. Under the conditions of developing the socialist commodity economy, not only should we affirm the rational difference of distribution according to work, we should also encourage people to carry forward the collective spirit of integrating the interests of the state, the collectives, and the individuals, and the spirit of mutual help and fraternal love. Energetic efforts should be made to learn from Lei Feng and from the deeds of other heroes, models, and advanced figures and to launch various mass civilization activities, such as "civilized units" and "five-good families." We must encourage a civilized, healthy, and scientific way of life, overcome the feudal, superstitious, ignorant, and backward phenomena in social conduct that stresses ethics, civility, etiquette, quality services, mutual respect and concern, unity, harmony, and noble integrity.

### /3. Vigorously develop socialist culture, public health, and sports./

In keeping with their own special features, the publicity, cultural, art, film, television, radio, press, and publication departments should adopt lively, rich, and varied forms to publicize the principles and policies of the party and government, to provide correct guidance to public opinion, and fully reflect the Guangdong people's spirit of going all out to make the country strong and their edifying sentiments in the course of reform and opening up. It is necessary to step up theoretical studies in social sciences. In cultural undertakings we should persist in putting social effect first. It is necessary to uphold the principle of "letting a hundred flowers blossom and letting a hundred schools of thought contend." So long as the four cardinal principles are not violated, different schools and styles should be allowed to coexist in the socialist cultural garden. The people should be allowed to distinguish between the beautiful and the ugly and between the good and the bad. Guangdong serves as a window in opening the country to the outside world. We should take full advantage of being the first to open up to the outside world over the past few years to vigorously absorb outstanding cultural achievements from abroad, to promote the development of culture and art loved by the people, to allow different artistic schools to give scope to their strong points, and to enliven the people's cultural and recreational life.

Governments at all levels should also attach importance to, and step up, the construction of mass cultural undertakings, such as cultural centers (clubs), libraries, museums, theaters, and cinemas. Energetic efforts should be made to popularize putonghua [standard Chinese pronunciation]. We should attach importance to and step up work on archives, literature and history, and compilation of local records. We should also strengthen market management.

The Sixth National Games will be held in our province in November this year. We should do a good job of all preparatory and service work for the national games, aiming for a first-rate performance and first-rate standard, strive to achieve excellent results in both the tournaments and the building of spiritual civilization, promote our province's mass sport activities, and raise our sports level. In health work, we should uphold the principle of putting prevention first and integrating prevention and treatment, conscientiously do a good job of preventing and eliminating diseases and rejuvenating traditional Chinese medical science, raise the level of public health in the urban and rural areas, and continuously improve water quality in the rural areas. It is necessary to step up environmental protection.

### /4. Resolutely fulfill the population control plan./

Controlling population numbers, practicing planned parenthood, and improving population quality is our basic national policy. It is also a strategic measure for achieving the long-term and steady development of the national economy. If excessively rapid population growth is not controlled, it will not only directly affect the national economy and social development but also seriously affect the course of the four modernizations.

After making unremitting efforts over the past few years, our province has scored some successes in changing people's outdated ideas on child birth and keeping population growth under control. But the progress of the work has been uneven and the success has not been consolidated. Cases of exceeding the population control plan were fairly striking last year. The province's birth rate and natural growth rate were higher than the nation's average level. In some localities, failing to simultaneously grasp "two kinds of production," the leaders relaxed the planned parenthood work. Therefore, we call on governments and leaders at all levels to unify their thinking, enhance their levels of understanding, effectively strengthen leadership over planned parenthood work, publicize and implement in an all-round way the relevant policies and regulations on planned parenthood, institute a population contracted responsibility system, and organize all departments to work in close coordination, to adopt decisive measures, to resolutely curb the trend of excessively rapid population growth, to fulfill the population control plan for 1987, and to bring the population natural growth rate this year under 11.5 per thousand.

#### /5. Step up the building of socialist democracy and the legal system./

Governments at all levels should adopt feasible measures to push forward the democratic building of our political, economic, and social life and to further expand socialist democracy. Energetic and voluntary efforts should be made to open up channels for dialogue with the masses and to conscientiously listen to the voice, suggestions, and criticisms of the masses. It is necessary to attach importance to the supervisory role of democratic parties, the workers', youth, and women's organizations, and public opinion on the government and its functionaries.

Stepping up the building of the socialist legal system and ensuring socialist democracy. Governments at all levels should persist in simultaneously grasping construction and the legal system, publicize and carry out the NPC Standing Committee's "Decision on Stepping Up Education in the Legal System and Safeguarding Stability and Unity," step up education in the socialist legal system with the constitution as the core, further enhance the civic and legal consciousness of the cadres and the masses, consciously restrict our actions with the legal system, and struggle against all illegal acts. It is even more necessary for government functionaries at all levels to further enhance their concept on the legal system and take the lead in becoming models in observing and implementing the laws. It is necessary to step up the legislation of local statutes to push forward, and ensure, the smooth progress of economic construction and all-round reform. The government should strengthen inspection of, and supervision over, the implementation of the laws. Organs of dictatorship should give scope to their functions in protecting the people, cracking down on the enemy, punishing criminals, and serving the four modernizations program, crack down hard on all enemy spies, crack down on all criminal and economic crimes, and crack down on and eliminate all ugly phenomena. They should mobilize and rely on the masses, step up comprehensive efforts to improve public security, and ensure social stability.

Continuous efforts should be made to step up the work on Overseas Chinese and foreign affairs. We should publicize in a more satisfactory way the policy of opening up to the outside world and China's achievements in socialist construction, bring into play the strong points of the native places of Overseas Chinese, and strive to speed up economic development, to continuously implement the various policies on Overseas Chinese affairs, particularly the policy on Overseas Chinese estates, to unite with the vast numbers of Chinese nationals residing abroad and with the compatriots in Hong Kong, Macao, and Taiwan, to serve the four modernizations program, and to achieve the great cause of reunifying the motherland.

Further efforts should be made to improve the regional autonomy system in areas inhabited by the minority nationalities in our province. We should conscientiously do a good job of civil administrative work and construction in the old liberated areas. On the basis of abolishing districts and establishing townships (towns), we should continuously step up the building of political power at the grass-roots levels and the institution of various systems.

With the continued advance of the reform and the opening up to the outside world, the tasks of governments at all levels have become heavier and higher demands have been set on the leading organs. Leaders at all levels must resolutely overcome bureaucratism, foster the idea of being highly responsible to the people, maintain close contact with the masses, go deep into the realities of life to conduct investigation and study, and strive to democratize the policymaking process and given the decisions a more scientific basis. Leading organs at all levels should conscientiously improve their work style, foster the idea of enthusiastically serving the grass-roots levels and the masses, speak less but work more, refrain from indulging in empty talk, do more practical work, improve work efficiency, do their work well, honestly perform their duties, resolutely resist and rectify unhealthy practices, and play an exemplary role in the building of spiritual civilization.

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CSO: 4006/826

## DEVELOPMENT OF TOWNSHIP ENTERPRISES, ECONOMIC STRUCTURE

Dalian CAIJING WENTI YANJIU [RESEARCH ON FINANCIAL AND ECONOMIC PROBLEMS]  
in Chinese No 3, 5 May 87 pp 6-13

[Article by Shen Liren [3088 4539 0086]: "Development of Township Enterprises and Evolution of the Economic Structure"]

[Excerpts]

I

Township enterprises play a central role in the development of the industrial structure in the rural areas. For a long time now, the industrial structure in the rural areas has been of an extremely unitary character, so much so that the terms 'rural area' and 'agriculture' have become synonymous. A look at past statistics reveal that they provided information only on the gross value of agricultural output and output of agricultural commodities in the rural areas with hardly any mention of the gross value and output of nonagricultural products. Up to 1970, the value of crops still accounted for 74.7 percent of the GVA, while sideline industries, including those established by production teams and the handicraft industry, accounted for only 8.7 percent. Among the acreage planted to crops, grains accounted for 83.1 percent while cash crops accounted for 8.2 percent (the rest was made up of vegetables, melons, gourds, and green manure). That is what is meant by the phrase "It takes 800 million peasants to produce food," a phrase which reflects the backwardness of agriculture and the poverty of the rural areas in our nation. It was not until after the 3d Plenum of the 11th CPC Central Committee that township enterprises (known at the time as commune enterprises) began to develop and to break the old pattern as a result of sustained growth in agricultural production. It was the areas which had made an early start in their development by engaging in a number of nonagricultural operations centered around industry that first did away with the traditional concept we had of rural areas and peasants. By 1984, when statistics on the gross social product of the rural community first became available, agricultural was found to constitute 63.2 percent and industry 23.1 percent, with the rest being made up of the construction, transportation, and food industries. Most of the nonagricultural output value was accounted for by township enterprises (including the various industries established by joint households), while a small part was made up by the individual economy. At the same time, the output value of the planting

industry dropped to 58.1 percent of the GVAO, while the acreage planted to grains dropped to 78.3 percent of the total acreage planted to crops. It is estimated that the 1986 gross output value of township enterprises exceeded 330 billion yuan, an increase of 21 percent over that in 1985, exceeding the GVAO for the first time (Footnote 1) (JINGJI RIBAO 21 November 1986) and accounting for 25 percent of the GVAO of the entire nation. In some areas in Jiangsu and Zhejiang, gross output value of township enterprises constituted 50 to 70 percent of the GVAO. (Footnote 2) (LIAOWANG 10th Issue 1986) Evolution of the rural industrial structure in certain areas has progressed faster than expected and in a nonlinear fashion.

The sustained growth of township enterprises is testimony that agriculture serves as the foundation for all industries and that agricultural development naturally differs from the historical pattern set by a whole series of industries. The industrial structure of rural areas is made up of three industries, namely, the cultivation; the forestry, animal husbandry, and fishing sideline industries; and the agricultural, industrial, construction, transportation, trade, educational, scientific, and cultural industries. Regarding crop cultivation, it is only when grain production has increased to a certain extent (an 800 to 1,000 jin per capita for instance) that it is possible to increase the acreage for the various cash crops. As for the forestry, animal husbandry, and fishing sideline industries, the pattern of food production must be altered following the development of agriculture, and attention must be paid to the promotion of animal husbandry, marine products, forestry, the planting of mulberries, tea, and fruits. On the primary, secondary and tertiary industry levels, while agricultural development depends on the trades and businesses prior to and following agricultural production, agriculture must also provide the basic requirements for the development of other trades and businesses. It was under the slogan of "establishing industries around agriculture and developing industries to promote agriculture" that the commune enterprises came to be established. This process has been summed up in five phrases, namely, "there is no stability without food," "no security without agriculture," "no wealth without industries," "no vitality without commerce," and "no progress without education." It may, therefore, be seen that the industrial structure in the rural areas is a good indication of the level of their productive power. Now that the rural economy has entered a new phase in the development of the commodity economy, there is an urgent need to readjust and reform the substance and the form of the original industrial structure in line with market demands and the specific conditions of the various localities. The emergence of township enterprises when they did definitely did not happen just by chance.

As a result of the strenuous efforts that have been made over a period of more than 10 years, the industrial structure in our rural areas, in line with the differences in the quality of land, natural resources, communication, labor resources, and other economic and social factors (not excluding the factor posed by subjective preferences in decisionmaking) and in concert with the development of township enterprises, has shown a tendency to shift gradually from the pattern dominated by agriculture to one marked by diversification, individualism, and regional differences. The following types of township enterprises with their own special features have emerged: 1) Those putting major emphasis

on industry and the focal point on different trades, businesses, and products; 2) those putting major emphasis on small mines, small coalpits, and small hydroelectric projects; 3) those putting major emphasis on commerce and having become small local and transprovincial specialized commodities markets; 4) those situated along vital communication lines engaging mainly in transportation, loading, and unloading operations; 5) those situated in the suburbs engaging mainly in processing and the tertiary industry; 6) those situated in scenic spots and historical sites engaging mainly in tourism and the service trade; 7) those situated along coastal areas open to the outside world engaging in "trade, industrial, and agricultural" operations; 8) those situated in villages with large numbers of Chinese nationals residing abroad putting major emphasis on making use of foreign capital to import technologies, etc. When the gross output value of all the township enterprises increased by 45 percent in 1985, it was not surprising that the building and tertiary industries should have developed at a faster rate than industry as a whole and that the building materials, food, and sewing industries should have developed more rapidly than other trades and businesses. Thus, a comprehensive industrial structure, based mainly on agriculture and characterized by the integration and coordinated development of the various industries, has gradually taken shape to make possible the upgrading of a series of key production elements and the coordination of economic, social and ecological effectiveness.

## II

The development of township enterprises has brought about fundamental changes in the labor employment and income structures of rural areas. Our population problem is largely a rural population problem characterized by an abundance of labor, a shortage of land, and vast surplus labor, otherwise known as the hidden unemployment problem. In "Report of World Development 1984," the World Bank pointed out that in 1982, while labor resources in the rural areas in China was almost one-third that of the world's, agricultural natural resources as represented by arable land, amounting to less than one-tenth of that in the world, were in danger of being further reduced year by year. Even with the infusion of human labor, the increasingly excessive demands made of agricultural natural resources are such that it would still be impossible to avert the progressive decrease in the effectiveness of crop cultivation. The problem of finding employment for hundreds of millions of surplus laborers in the rural areas and diverting them to other industries for employment has become a pressing problem that cannot be ignored. Be that as it may, we cannot follow the long and tortuous path set by other countries in the urbanization of the rural population. Since the establishment of the republic more than 30 years ago, the number of staff workers in the cities and towns has grown from fewer than 10 million to 120 million. Fewer than 10 million laborers, representing only a very small percentage of the rural surplus labor force, have been taken on as staff workers in the cities and towns. Many comrades have come to the conclusion that the shifting of the population from agricultural to nonagricultural pursuits will be a major trend, an important strategy, and a focal point in economic and social development from now on.

Township enterprises have provided an answer to this major problem by resorting to various methods and channels to recruit surplus labor in the rural areas. At the initial stage, they adopted the method of putting surplus laborers to work partly on the farms and partly in industry, that is, "to work on the farms during the busy season and in industry during the slack season." Later, these workers gradually broke away from agriculture to become specialized staff workers in the rural areas, a practice known as "leaving the soil but not the village." Within the last 2 years, they have been permitted to settle down in the small market towns on the condition that they hold themselves responsible for their own rations. That is a practice also known as "becoming a factory worker without relocating to the cities." At the same time, certain localities have been permitted to allow a few peasants to work in the mines or to go to the cities to engage in tertiary industry. Furthermore, some of the densely populated villages have organized construction workers according to a plan to work on key construction projects and in remote areas and to return to their homes after the project is completed. These workers are known as "migratory" peasants. This gradual method of shifting workers from one place to another not only will not weaken the fabric of agriculture, but will also result in gradually putting arable land in the hands of those skilled in farming and increase the economics of scale and improve the intensive economy. According to statistics compiled by the administrative departments of township enterprises, at the end of 1985 there were 64.16 million staff workers (including those employed in individual enterprises), or roughly 18 percent of the total labor force in the rural areas. Including laborers who have not completely cut their ties to agriculture, these workers equal in number the staff workers employed in publicly owned units and comprise roughly one-half the entire labor force in the rural areas. Without adopting this method of providing employment for surplus laborers, the state and cities could not have achieved the same results within so short a period of time by investing in the establishment of enterprises, by recruiting staff workers in the rural areas, and by providing them with marketable grain, housing, and public utilities.

The basic change which has taken place in the labor employment structure in the rural areas has resulted not only in the development of a diversified economy and a higher rate of labor productivity in society, but has also increased the income of the peasants, altered the structure of their income, developed the markets in the rural areas, and reduced the gap between the cities and the countryside. In the first 4 years of the Sixth 5-Year Plan, the income of the peasants in the township enterprises came to a grand total of 76.5 billion yuan, and the average annual per capita income came to 27 yuan, or half of their average increased annual income. (Footnote 3) (ECONOMICS WEEKLY 9 March 1986) Although figures vary between the better and less developed regions in the rural areas, progress was made in various degrees in all the regions. In Jiangsu Province in 1985, the total amount of wages paid by township enterprises came to 4 billion yuan, an amount equivalent to the average per capita income of 80 yuan in the rural areas. In southern Jiangsu, where township enterprises are better developed, some 40 percent of the employed laborers work in factories and they earn more than half of the income of the entire family. Some of the workers have in fact

"achieved the relatively well-off status" ahead of time. In Wenzhou Prefecture in Zhejiang Province, most of the township enterprises are operated by households and joint households. More than 300,000 are engaged in industry, while some 600,000 are engaged in service trades. Some 40 percent of these workers have become well-to-do (70 percent for the five counties along the coast). Yunmeng County in Hubei Province has taken the lead in making use of surplus labor. Thirty percent of the entire labor force is engaged in construction, transportation, food, services, repair, information, and cultural operations. The county has doubled its income. After adjustments had been made in the rural industrial structure by Dingxi County in Gansu Province, business volume of the transportation and processing industries increased 2.7- and 5-fold, respectively, while the increase in the average annual per capita income exceeded 100 yuan. All that goes to show that "the development of township enterprises is the only way to invigorate the rural economy in our nation." (Footnote 4) (SHIJIE JINGJI DAOBAO, 5 Aug 85)

### III

The development of township enterprises engaged mainly in industry has served to speed up the readjustment and reform of the structures of industries and products. Such township enterprises occupy an increasingly important position in the entire industrial system. In the early 1970's, the gross output value of township industries came to only 3 percent of the gross output value of all the industries. By 1980, the percentage had exceeded 10 percent. During the Sixth 5-Year Plan, township enterprises maintained a rapid pace of development and registered a gross output value of 80 billion yuan or roughly 20 percent of the GVO. The percentage was even higher for regions where township industries were better developed. Correspondingly, many businesses and products of township industries gradually accounted for a higher percentage of the total. Aside from the production of farm tools, the repair and replacement of agricultural machinery, bricks, tiles, sand and stones, most of which were produced by township industries, the spinning and weaving industry accounted for one-fourth, the clothing industry two-fifths and raw coal roughly under 30 percent of the total, while the machinery industry and other industries producing consumer goods also accounted for a considerable percentage. Thus, the structures of the trades and products of township industries have become a factor to be reckoned with in the changes which have taken place in the entire industrial structure. The position of and role played by township enterprises, having progressed beyond the confines of the rural economy, are in the process of exerting a profound influence on the entire industrial sector.

For a long time now there has been considerable controversy as to what the township industries should and can do. There have been two propositions. The first is "procuring materials locally, producing goods locally, and marketing goods locally." The other is "rendering services to agriculture" and "cutting off what has nothing to do with agriculture." Although these propositions might not have been without merit in the early developmental stage of township industries, they soon turned out to be shackles hampering their growth. The reason is that the first proposition is, from the standpoint of the small-scale peasant economy, contrary to the law governing the development of the commodity

economy. Similarly, "cutting off what has nothing to do with agriculture" represents the sealed-off type of economic development, limiting as it does the rural agricultural economy to the narrow confines of a self-created cycle. These ideas have been shattered by practical experience. Although township industries made their start by rendering services to agriculture in the localities by engaging in such operations as the processing of agricultural and sideline products and the manufacturing and repair of farm tools and machinery, they should definitely not confine themselves to such operations. Otherwise, they would not be able to forge ahead, shift large amounts of surplus labor where needed, create a new industrial structure in the rural areas, or make due contribution to the industrialization and modernization of the nation's industries.

The paths taken for the development of township industries indicate that three patterns have been adopted at different times in different regions: 1) complete self-reliance locally on the production and marketing of goods; 2) using the cities as a center for the coordination of operations; 3) a total opening of the market. (Footnote 5) ("The Development and Reform of Township Industries" by Luo Hanxian [5012 3211 0341] JINGJI RIBAO 22 April 1985) These patterns may also be referred to as the three stages for the development of township industries. With the above patterns that have emerged and with the greater impact of market mechanisms as they develop, it is easy to see that prospects are extremely bright for the comprehensive development of township industries and that the structures of the industries and products can be both distinctive and varied in character.

1. The close coordination established by the township industries with agriculture is of advantage to both. First, township industries will be able to engage in crude and refined processing of raw materials derived from agricultural and sideline products; second, township industries will make available the various means of production to agriculture. The development of grain production, cash crops, forestry, animal husbandry, and fishery has made it possible for township industries to carry out the beginning, intermediate, and advanced processing of subsidiary agricultural products. Conditions in rural areas are better than that in cities to engage in the food and spinning and weaving industries which have or will become major industries. With the increase in agricultural productivity and the gradual modernization of agriculture, demands for the agricultural means of production as well as preproduction and postproduction services have escalated. There is also a need for the further industrialization of the production of animal feed, compound fertilizers, the repair and manufacturing of farm machinery and the storage, transportation, packaging, and inspection of agricultural and sideline products, most of which should be done in the rural areas. The experience gained by the advanced units indicates that, while the net income derived from grain or cotton produced on each mu of land comes to only 100 or 200 yuan, the output value and income of livestock, spinning and weaving, and processed products on the same piece of land comes to as much as 400 or 500 yuan, while the food and clothing industries are capable of earning incomes exceeding 1,000 yuan. By switching from grain or cotton production to the other industries will also bring closer the alignment between agriculture and industry.

2. Township industries have been given heavier responsibilities in meeting the needs of markets in cities and rural areas. The present market is still a seller's market. Because the demand for consumer goods still exceeds the supply insofar as quality, variety, and quality are concerned and that the situation has yet to be greatly improved, township industries have become powerful competitors for the large industries. With the extensive increase in the production of consumer durable goods, township industries are called on not only to supply a large quantity of spare parts and components, but also to assemble them. Some of the products have quickly become famous for their high quality. That is especially true of small commodities which are being produced in the rural areas rather than the cities. For instance, hundreds of thousands of households, or roughly one-seventh of the rural labor force in Xincheng County in Hebei Province, are engaged in the production and marketing of imitation leather goods. The raw materials are supplied by 10 provinces and the products are sold throughout the nation. The gross output value of hundreds of millions of the products accounts for over 50 percent of the county's GVIAO, so that it has become a base for the production of imitation leather goods which account for the highest amount and output value and for the employment of the largest number of imitation leather workers in the nation. Another example is Keqiao Township, Shaoxing County, Zhejiang which, with some 500 polyester fiber, silk and cotton textile mills, has become a specialized market for spinning and weaving products with a daily clientele numbering between 16,000 and 17,000 and transactions amounting to some 100,000 yuan.

3. Township industries also have great potential for earning foreign exchange from the export of their products. Increasing exports in order to earn larger amounts of foreign exchange is of special strategic importance at present. In that connection, the township industries, especially those along the coast, have achieved notable progress and are certain to develop their role further. In 1985, township enterprises accounted for \$4 billion in foreign exchange earnings from exports (not including gold). Their potential lies in "trade, industry, and agriculture," the processing of agricultural products into finished products for export, and making use of foreign capital to import technologies to produce commodities to be sold in the international market, or using them to replace certain imports. Full advantage is taken to utilize labor resources in the rural areas to engage in the manufacturing of labor-intensive export products, such as handicraft articles and locally produced and special products. For example, Guizhou District in Shunde County in Guangdong Province has established the Huanan Wool Spinning Factory in partnership with a state company and businessmen from Hong Kong and a base for the breeding of long-haired rabbits so as not to compete with large industries for raw materials. The vast majority of its products is being exported. Another project is the electric fan factory which, by importing advanced equipment and designs from abroad and by exporting 480,000 ceiling fans to more than 30 countries and regions in 1986, has taken the lead among similar factories in the province. Other examples are the township enterprises in Fujian Province which have vigorously engaged in "the three forms of import processing and compensation trade." In 1984 alone, they were able to raise over 300 million yuan from overseas Chinese residing abroad to establish 36,000 enterprises. Most of the spinning and weaving, clothing, hardware and jewelry among other products are being exported.

4. Township industries will henceforth place emphasis on the vigorous development of industries involving energy resources and raw materials. Some people think that a specific analysis needs to be made of the proposition that the development of township industries is likely to aggravate the shortage of energy resources and raw materials. It should, however, be noted that coal, electric power, and raw materials are not allocated by the state to the township industries according to a plan. Rather, their prices are negotiated and coordinated through the cooperative efforts of the regions and the enterprises to promote production and investment. In recent years, small coalpits have been developed by townships at an extremely rapid rate. Between 1978 and 1984, the production of coal in the townships throughout the nation has increased by 110 million tons, accounting for 72.4 percent of a net gain of the total amount of coal production during the same period. In 1984, (the township coal mine industry) produced over 200 million tons of coal converted to standard energy units, or 44 percent more than the total amount of energy consumed by the township enterprises throughout the nation. (Footnote 6) ("The Development of Township Enterprises Is an Overall Problem" by commentator appearing in the 8th Issue of NEWSLETTER ON WORK BEING DONE IN THE RURAL AREAS 1985) After having developed small coalpits, Shanxi Province locally turned to the development of "the three materials" (ferrous and nonferrous metals, chemical materials, and construction materials), thus promoting the development of the electrical, metallurgical, chemical, and construction industries. The development of small hydroelectricity and cement production projects in the rural areas has similarly yielded fruitful results. Aside from the establishment of factories and mines locally, township enterprises have also engaged in projects of lateral cooperation. Township enterprises in Wuxi County in Jiangsu Province, for example, have invested tens of millions of yuan in the coal production bases in Shanxi Province and established more than 10 factories where raw materials are being produced.

#### IV

The development of township industries has become a new factor in the development of scale structure and technical structure of enterprises in industry.

One of the arguments which has come to the fore in the development of township industries has to do with the concern on the part of many comrades that its development would result in reducing the scale structure of our industrial enterprises and their technological structure. Although their concern is understandable, it is not justifiable to underestimate their importance, to conclude that they are not being developed in the proper direction, and to belittle their future just because the enterprises in existing township industries are relatively small in scale and their technical standard relatively low. It has already been pointed out by some people that the strategy for the development of the industries in our nation must have diversified objectives, that they should be developed in line with the specific missions for the different regions and that it is inevitable that different enterprises should have different levels in point of scale and technological standard. The uneven but gradual development of the industries is marked by certain special features and patterns during the transition period and their transition from the traditional to the modernized pattern is bound to be attended by certain

consequences. That is not to say, however, that there is no need to face up to the weaknesses of the township industries or to make serious efforts to help them to overcome those weaknesses.

The fact that township enterprises are of a relatively small scale does not mean that they should be deprived of the right to exist and to develop. As a developing nation, we should use large and medium-sized enterprises to serve as mainstays for the establishment of an industrial foundation and system. At the same time, we also need more small-scale enterprises to complement the larger enterprises. The course for the industrialization of various nations is invariably two-directional. It calls for the continual upgrading as well as the gradual downgrading of the scale. It is not true that the larger the enterprise, the better it is, or that enterprises should continue to expand. It is necessary to make an analysis of economic effectiveness as it relates to the size of the enterprises. There is no clear correlation between economic effectiveness and the scale of certain businesses and their products. Some are better when they are bigger, and some are more effective when they are smaller. That is because the different trades, businesses, and products require different natural resources, different technologies, different radii for marketing and different consumption areas. Today, except for certain special cases (such as the Soviet Union), over 95 percent of the enterprises in various nations belong to the medium-size and small category, while only a few unitary products such as petroleum, thermal power, iron and steel, automobiles, heavy equipment, and basic chemical raw materials are better produced by large enterprises. With progress being made in the technological area, there is a tendency for businesses and products to become increasingly smaller in size and for more and more medium-size and small enterprises to thrive. It is the belief of some people that the new technological revolution has posed a challenge to economies of scale and that large enterprises have lost the dominant position they had previously enjoyed in many areas. For this reason, while emphasis is being put on the establishment of large and medium-sized enterprises, our nation should at the same time develop township industries operated mainly by small-scale enterprises in keeping with the present level of economic development. The advantages of small-scale enterprises are that they are easy to get started, that they call for small amounts of investment, that they can be established in a short period of time, that they provide employment for a large number of people, that it is easy for them to expand, and that they have a high rate of overall economic effectiveness, not to mention the fact that, at the present time, each township enterprise and industry operated by the villages employs an average of 50 and 30 people, respectively. So far as the number of people employed is concerned, the structure of the enterprises is not excessively small compared to similar enterprises in Hong Kong.

The weakness of township industries lies not in the smallness of the enterprises but in their being "small and crude," "small and all-inclusive" and "small and decentralized." The way to overcome this weakness is to turn them into enterprises that are "small but proficient," "small but specialized" and "small but integrated." During the reorganization of the enterprises in recent years, many small-sized enterprises made a start toward becoming integrated, incorporated, and collectivized. Township industries are also going through the same process. There are two ways to go about it. One is for the villages and townships to form increasingly integrated units; the other is for the villages

and townships to establish a link with the cities and to take part in the operations of groups of enterprises formed by large and medium-sized enterprises. The "Bailan" method adopted by Beijing is a typical example. By organizing suburban township industries to produce spare parts, Beijing was able, without a great deal of investment, to increase by 100 percent the overall capability for the production of the Bailan brand of washing machine. This mode of operation has also enabled a large number of small-scale township enterprises to overcome their weaknesses and to share in the benefits of large-scale economic operations. Furthermore, a number of township industries, by making use of their accumulated funds, have developed to such an extent that they have been able to hire over 1,000 workers to produce commodities valued at over 100 million yuan and to join the ranks of large and medium-sized enterprises.

The low technical standard of township industries may be attributed to various factors. One factor is the lack of control resulting from an unpredictable market supply and demand. For example some township industries operate small iron-smelting furnaces and thermal power plants are sooner or later bound to become obsolete and are not worth emulating. Other township industries, had a lowly start and need to be gradually improved. Some township industries, while hampered by a low technical standard, still play a useful role in the multilevel technical structure; some low-quality products still have their buyers in the multilevel structure of consumer goods; some township industries producing labor-intensive products such as handicrafts, have adopted handicraft techniques which are likely to continue to be produced for a long time. The running of industries by rural areas represents a breakthrough in economically backward areas where there is no industry already in existence. This is particularly true today when state investment in industry is so limited. This setup is also conducive to technological improvements in agriculture. Similarly, we should not expect industries in urban areas, which are as uneven as the rural areas in terms of technological development, to all switch over simultaneously to an advanced technological level.

What matters is not the low technical standard of township industries but whether it can gradually be upgraded. This is where township industries have shown great promise. First, they looked everywhere for "gods of wealth" by recruiting veteran workers and retired engineers; later, they invested in brainpower either by sending talented people out or by inviting them in. Some township industries have established secondary technical schools and vocational and electrical engineering colleges; later still, some of these schools linked up with institutions of higher learning and research units and acted as halfway houses for the importation of technology and have become major clients in the technology market. The institutes that are capable of importing advanced technologies from abroad have actually done so. Through the adoption of such measures, many township industries have advanced beyond elementary technologies and have increased their competitiveness by turning out high-quality products. After these units importing technology discovered the enthusiasm for the technologies on the part of township industries, they have been only too happy to transfer the new technologies. By drawing up the "Spark Plan" for township industries, the State Science and Technology Commission, rather than shooting an arrow without a target, has shown both foresight and wisdom.

The small scale and low technical standard of township industries have by no means jeopardized their existence or hampered their expansion of reproduction. Although township industries have paid high prices for energy and raw materials and assumed heavy social responsibilities in recent years, the fact that few of them have suffered losses affirms their vitality. If all that they had turned out were junk, it is easy to see that they would not have developed as far as they have. As for specific economic results, the rate of output value derived from township industries from the original value of their fixed assets is 2.4-fold that of state enterprises; taxes paid to the state from the original value of the fixed assets of township industries is 3.35-fold the rate paid by state enterprises; the rate of profit taxes derived from the output value of township industries is 1.4-fold that of state enterprises, the profit to costs ratio is 7.47 percent over that of state enterprises, while the amount of circulating funds required to generate an output value of 100 yuan is 2.13 yuan less than the amount for state enterprises. (Footnote 7) ("Our Township Enterprises as Seen From Their Development" by Guo Shutian [6753 2579 3944], etc., ECONOMIC RESEARCH Issue 2, 1986). These figures, not generally known to the public, indicate that, under the circumstances prevailing in the nation, it is only because the township industries are possessed of unique scale structure and technological structures that they are capable of achieving such extraordinary economic results. The increasing growth of township industries will not only do no damage to the entire industrial structure and structural efficiency, but they will, by establishing cooperation with large and medium-sized enterprises in the area of advanced technologies and by cooperating with and complementing such enterprises, make the entire industrial structure more responsive to change, more flexible and more effective.

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## DEVELOPMENT OF THREE MAJOR EXPORT PRODUCTION BASES

Beijing GUOJI SHANGBAO in Chinese 21 Apr 87 p 1

[Article by special correspondent Cui Peiyuan [1508 0160 0337] and by reporter Wang Chang [3769 1603], "Principal Developments in Building Three Major Export Production Bases]

[Text] We have learned from units involved that China's three major export production bases--manufacturing of machinery and electrical equipment, agricultural byproducts and light textiles--are largely in place.

The Seventh 5-Year Plan calls for diversification of China's export production bases and gradual improvement in the work of the export production bases. In 1985 and in 1986 the State Council authorized the establishment of the machinery and electrical equipment export production base and then of the agricultural byproducts export production base. It also authorized committees of the concerned departments to develop policies and specific measures to expand light textile exports along China's coastline. Thus, China during the past year has been busily engaged in building the three major export production bases of machinery and electrical equipment, agricultural byproducts and light textile products.

The machinery and electrical equipment export production base is composed of three categories. The 108 enterprises authorized in the first category are principally concerned with foreign markets. These enterprises have the status of a corporation, have the power to negotiate, to set prices, to sign contracts, to establish bank accounts and settle accounts, and to use that portion of their foreign exchange earnings which they retain. The 394 second-category enterprises have increased autonomy in foreign trade. These enterprises are responsible for a larger proportion of China's principal construction projects and for more of China's exports. Last year these two categories together accounted for more than half of China's exports of machinery and electrical equipment. Ordinary export enterprises are in the third category.

The agricultural byproducts export production base is a complete system of export commodity production bases, production regions which can furnish products meeting quality requirements in lot quantities and their associated R&D, and processing and transportation enterprises. The production bases are

the backbone of the system and the key to building an agricultural byproducts export production base. It concentrates on the principal areas of production, seeks superior, famous varieties, seeks select, superior characteristics, concentrates on the transition stages in the production process, a high rate of commercialization, and orientation toward the world market. During 1986, China prepared to export 20 varieties which have great export potential and are in constant demand on the world market. These 20 include the Jilin Province new corn export production base, the Heilongjiang Province new soybean export production base, 60 new cotton export production bases throughout China, Hainan export production bases for tea, pepper, coffee, and 7 other Hainan Island specialty products, and Xinjiang export production bases built to produce Xinjiang specialty export commodities, such as tomato sauce, dehydrated vegetables, and fragrant pears.

At the end of 1986, the State Council authorized policies and measures to expand the coastal regions' exports of light textile exports. The concerned departments set up a leadership committee to direct and evaluate light textile export production bases. Seventy-nine products were chosen and placed on the first list of items. After 2.1 billion yuan had been invested in preparations, and the items had been completed, \$470 million in foreign exchange was earned.

The construction of local export production bases has begun. Many provinces and municipalities have established plans, policies, and specific measures for building regional export production bases. The provinces and municipalities of Liaoning, Guangdong, Shandong, Sichuan, and Shanghai have already selected several export commodity production enterprises and group after group have one after another named production bases, base enterprises and factories for exclusive production of exports.

The export production bases are an economic network founded on lateral relationships between enterprises. Every category of enterprise within the base works in the spirit of "pulling together, doing business on an equal basis, sharing equitably, and sharing equally in benefits," overcoming every sort of obstacle to cooperate laterally across the lines of division or the domain of one department or another. For instance, when Guangdong Province set its export production base plan, it used various methods including joint management, joint capital ventures, cooperative ventures, aid, linking production and sales in order to bring together the industrial, agricultural, R&D, and foreign trade sectors according to Guangdong's actual situation. From January through October 1986, Guangdong trading enterprises invested in 452 export production base items. Of these 149 produced results during the year, for total export earnings of \$210 million. These investments sharply increased Guangdong's potential for earning foreign exchange.

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## GUANGDONG USES FOREIGN INVESTMENT FOR BRIDGE CONSTRUCTION

Beijing GUOJI SHANGBAO in Chinese 21 Apr 87 p 2

[Article by correspondent Li Zhaofen [2621 5128 5358], "Guangdong Builds 767 Highway Bridges in 7 Years; Use Foreign Investment, Multilateral Agreements, and Strive to Improve the Climate for Foreign Investment"]

[Text] Guangdong has used foreign investment to build highways and bridges in order to rapidly improve the transportation infrastructure for foreign investors.

Foreign merchants traveling to South China must pass through the Zhujiang delta region, which is crisscrossed by water networks that invariably break highways up into small sections. The Guangzhu highway is a principal artery of Guangzhou which passes through Zhuhai to Macao. There are four places where the river was so wide and deep that vehicles had to be ferried across. In the past, crossing took at least 45 minutes or a minimum of 4 hours for four crossings. The line of vehicles waiting to cross the river sometimes extended for 3 km. This was far out of step with the "time is money" theme of opening up to the outside world.

Recently, at an exhibition in Beijing on the achievements of Guangdong's policy of using foreign investment and importing technology, it was learned that in August 1981, the Guangdong Highway Construction Corp signed an agreement with the Aomen Nanglian Corp on a loan of HK \$150 million. This money, together with highway tolls, was invested in building bridges at the crossings. During 1984, four bridges on the Guangzhu highway, the Sanhongqi, the Rongqi, the Xihao, and the Shakou were successively opened to vehicular traffic. The driving time between Guangzhou and Zhuhai shrank from 7 hours to 3 or 4 hours. Daily traffic increased from 2,000 vehicles daily before the bridge was built to the present figure of over 8,000.

The completion of the four bridges improved transportation on the Guangzhu highway, promoted economic growth in the Zhuhai delta region, and provided good conditions for foreign businessmen and compatriots from Hong Kong and Macao to come and invest in construction. For example, many foreign businessmen considered investing in joint manufacturing ventures in Xunde County only to withdraw because transportation was inconvenient. Since three bridges were built in this county, throngs of tourists and businessmen from

Hong Kong and Macao have flooded into the county. The number of foreign investment items and amount of foreign capital invested in the county has doubled.

Guangdong used foreign capital to build the bridges and bridge tolls to repay the debt. At present, there are 4,000 to 5,000 crossings from Macao daily. Guangdong uses the bridge tolls to repay the loan and have enough money left over to purchase modern equipment for repairing the road.

Over the last 7 years, various investment methods, such as using foreign capital, collections among the local population, contributions from overseas Chinese and from Hong Kong and Macao compatriots, and local investment have built 767 small, medium-sized, and large bridges with a total span of 29,772 meters. Guangdong is using the same methods to accelerate the construction of new ports, of new shipping lines and of harbors open for foreign trade.

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CSO:4006/603

## FOREIGN INVESTMENT INVIGORATES SHANGHAI ENTERPRISES

Shanghai JIEFANG RIBAO in Chinese 5 Apr 87 p 1

[Article by staff correspondent Jiang Mengdan [5592 1125 0030], "The Difficult Early Stage Is Over, Now Developing Normally; Shanghai's "Three Kinds of Partially or Wholly Foreign-owned Enterprises" Enter Period of Prosperity; Total Output in 1986 Valued at 700 Million Yuan, Foreign Businessmen Want To Invest More"]

[Text] Shanghai's three kinds of partially or wholly-foreign owned industrial enterprises have already completed the difficult stage of construction and have begun marketing their products. Profits are rising. The enterprises enjoy a foreign exchange surplus and foreign businessmen want to invest more money. According to the latest information provided by the Municipal Statistical Bureau, the 1986 GVIO of these three kinds of enterprises exceeded 700 million yuan.

Shanghai's three kinds of partially or wholly foreign-owned enterprises , over the last 2 to 3 years, guided by the policy of opening up to the outside world, have gone from nothing to explosive growth. At the end of 1986, over 40 enterprises had formally inaugurated production. These three kinds of enterprises, which enjoy full autonomy, in fact implemented self-management, savings from earnings, self-reform, and autonomous growth, took advantage of flexible management, scientific management, the distribution of responsibility and of benefits. The foreign investment service center, foreign exchange adjustment center, and goods and materials service corporation set up by the municipal government further improved the investment climate, helped enterprises overcome the difficulties of the initial stage of plant construction, and move along the path of healthy growth.

First of all the economic benefits were evident. Shanghai's three kinds of partially or wholly foreign-owned enterprises moved from deficits to surplus much more rapidly than expected. Heavy industrial plants operated in the black after just 2 years; many light industrial plants began to earn profits for investors during their first year in operation. For example, the forerunner of the Shaanxi Corp denim plant manufactured textiles in 24 plants with 80 machines, of which no more than 30 could be used at any one time due to low demand. Moreover, production quality did not meet export standards. After the cooperative venture imported 74 advanced textile manufacturing machines and

overcame transportation problems, not only did production increase but the proportion of production meeting quality standards exceeded 80 percent. More than 80 percent of production is exported and the joint venture operated in the black after just 3 months. Comparing statistics for 1985 and 1986, the value of production from completed enterprises increased 380 million yuan and profits more than 30 million yuan. Tax revenues increased 21 million yuan. The production of the principle products increased even faster.

Next comes the marketing of the products. Since the techniques, equipment and quality-control methods imported from abroad are relatively advanced, product reliability is high and the products have advanced performance and characteristics which have attracted attention in both China and abroad. Some heavy industrial products can be substituted for imports such as medium-size bridge vehicles, high-quality meters, and programmable telephones. Eight industrial products also display their superior qualities on both foreign and Chinese markets.

At present, the raw materials used by the three kinds of partially or foreign-owned enterprises are obtained through intermediaries and the lateral relationships developed by each plant. The proportion of the raw materials and spare parts produced in China is gradually increasing. This proportion has reached 75 percent at the Yichu Motorcycle Plant and 70 percent at Xunda the Dianti Plant. The export rate is also growing steadily. The proportion of the value of exports to the total value of industrial production rose from 7 percent in 1985 to 9.3 percent in 1986. The foreign exchange situation of the enterprises authorized by Shanghai Municipality has reaped benefits or reinvested credits. Foreign investors want to invest still more. Many foreign investors have reinvested their profits or their loans which reached maturity. Many second-generation projects are now renovating or expanding plants.

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CSO:4006/603

## XIAMEN REVITALIZES OLD ENTERPRISES

Beijing RENMIN RIBAO in Chinese 27 Apr 86 p 1

[Article by Xinhua correspondent Su Shuili [5685 3055 0448] and reporter Wang Weizhong [3769 3555 0022], "Many Old Xiamen Enterprises Revitalized; Clarifying Priorities and an Accent on Change; 85 Percent of the Municipal Government's Income and Foreign Exchange Comes From These Enterprises"]

[Text] The Xiamen SEZ is not building on the basis of "loving the new and hating the old." Although many new enterprises have appeared in newly developed areas, many old enterprises in the city have already "strengthened their muscles and bones" and have become "revitalized." According to statistics, 85 percent of the income and foreign exchange of Xiamen comes from these old enterprises.

The mayor of Xiamen, Zou Erjun [6760 1422 0971], told journalists that since the SEZ has not existed for long, the old enterprises are still indispensable. Xiamen cannot rely only on new enterprises to "adorn the cotton with flowers" as it struggles to build new areas of the SEZ. Xiamen must give many enterprises the arduous task of "sending coal during the winter." Investments over the last 5 years totaling over 400 million yuan (including foreign exchange) has transformed, to varying degrees, more than 240 enterprises. This allows them to take a more active role as the rearguard of the construction of the SEZ.

The Xiamen SEZ has made efforts not to reopen "the big pot" in the course of , transforming over 400 old enterprises. It has made wide-ranging and thorough surveys in order to clarify priorities as to which tasks are most urgent, and to determine the focal points for reforms of enterprises in the textile, electronics, foodstuffs, photosensitive materials, construction machinery, and other industries in order to achieve the goal of "building on strengths and creating mainstays."

The principal line of attack of the Xiamen SEZ's reform of old enterprises is to make them export-oriented and increase their ability to earn foreign exchange. In recent years, many old enterprises, while importing advanced technology and equipment, have adopted international standards in manufacturing and in assuring product quality. According to statistics, Xiamen imported advanced technical equipment to help transform its old enterprises,

and of the 200 projects it engaged in, roughly 40 percent related to foreign exchange earning exports, import substitution goods and services related directly to exports.

As a window for the outside world and for China, Xiamen is accomplishing its "special mission"--the assimilation and renovation of imported technology and equipment and then its transfer and dissemination to the interior of China. Xiamen strives to "transform and gain." The Xiamen Cigarette Rolling Plant and the Xiamen Experimental Equipment Plant developed a machine to process tobacco with advanced equipment imported from the United States. Currently, the spread and use of this kind of equipment in over 50 rolled tobacco factories in 24 provinces and municipalities throughout China will assure a recovery of quality cut tobacco.

12369  
CSO:4006/603

## DEVELOPMENT OF AGRICULTURE, NATIONAL ECONOMY ANALYZED

Taiyuan JINGJI WENTI [PROBLEMS IN ECONOMICS] in Chinese No 2, 25 Feb 87  
pp 6-9

[Article by Cai Fang [5591 2499] of the Rural Development Research Institute of the Chinese Academy of Social Sciences: "Conditions for and Ways of Coordinating Development of China's Agriculture With the Other Sectors of the National Economy"]

[Text] I. Coordinating Development of Agriculture With the Other Sectors of the National Economy

When studying agricultural development strategy, the close relationship between agriculture and the other sectors of the national economy must by no means be overlooked. On one hand, it must be seen that all the other sectors of the national economy are functions of agricultural development and, thus, "basing development of the national economy on agriculture" must be firmly regarded as a long-range strategic principle. On the other hand, the inverse functional relationship between them must also be seen, i.e., that agriculture is also a function of the development of all sectors of the national economy, and that agricultural development depends on the other sectors to satisfy its various material, technical, and structural growth conditions. The reciprocal and interdependent relationship between agriculture and the other sectors of the national economy is reflected in their coordinated development and, in fact, is a combination of three coordinated relationships.

The first coordinated relationship is the coordinated development of agriculture itself, which includes certain basic proportional relationships in agriculture and is the foundation of the three coordinated relationships. The most important proportional relationship in agriculture is that between accumulation and consumption. It affects the production enthusiasm of agricultural producers and the vigor of agricultural development. Prior to the 3d Plenum of the 11th CPC Central Committee, farmers' daily consumption necessities were ignored and the policy of high accumulation was carried out, dampening the production enthusiasm of farmers. But the tendency to stress consumption to the detriment of accumulation has now appeared, and certain previously accumulated agricultural capital construction installations have even been damaged, lowering the ability of China's agriculture to resist natural disasters. Thus, how to achieve the general conditions to rationalize the relationship between accumulation and consumption for both private households and unified management will be a major task for agricultural development strategy research.

China is also confronted with a difficult task in restructuring its agricultural production. Just as an agricultural surplus is the basis for developing the other sectors of the national economy, a grain surplus is the basis for the overall development of agriculture. China's per capita grain volume is close to average world standards, and we are basically self-sufficient. This is the basis for restructuring our agricultural production. Consumption is the goal of production but, as long as there was not enough to eat and wear, it was simply subject to production limitations. However, along with improved standards for per capita grain volume and people's income, consumption has played an increasingly greater role in guiding production. Thus, changes in people's agricultural product consumption structure and patterns are the basis for restructuring agricultural production. Since agricultural accumulation and consumption are closely related to other industries and sectors, consumption of agricultural products also involves many other sectors. Therefore, the second coordinated relationship must also be maintained.

The second coordinated relationship is the coordinated development of the three major sectors of the national economy. It includes coordination of such things as the growth rates of the three major sectors, their input-output relationships, and their financial relationships. Only when these vertical coordinated relationships have been established between agriculture and the other sectors can horizontal coordination within agriculture be linked to horizontal coordination within the other sectors, and partial balance be enlarged to overall balance.

In China, agriculture is generally regarded as the first sector of the national economy, industry as the second, and such things beyond the first two as commerce and service industries as the third. The two aforementioned functional relationships between agriculture and the other sectors of the national economy are the basis for the coordinated development of the three sectors. Experience abroad has shown that when the gross national product [GNP] is about \$800 to \$1,000 per capita, the growth ratio of the three sectors will generally be 1 : 2 to 23 : 1.7 to 1.9. Since China's third sector is proportionately small, being even less developed than that of some of the world's least-developed countries, in the process of raising our GNP to \$800 to \$1,000 per capita, China should not necessarily try to achieve these exact proportions, but should develop the third sector even faster. It was stipulated in China's Seventh 5-Year Plan that the average yearly growth ratio of the three sectors of the GNP should be 1 : 1.83 : 271, showing a faster growth rate for the third sector.

When examining the formulation of China's economic development strategy from the perspective of these coordinated relationships between the three sectors, certain viewpoints are open to question. For instance, as to whether economic development (referring principally to that of urban industry) should stress intensive or extensive methods, urban industry itself should, of course, stress intensive methods to achieve expanded reproduction. But we are faced with the grim reality that 74 percent of China's work force is employed by the agricultural sector which accounts for only 34.8 percent of our output value, and that approximately 100 million surplus agricultural workers are waiting to be transferred to other sectors. We may conclude that whether it will be possible to transfer these surplus agricultural workers to other sectors will determine whether China will be able to realize the major goal of transforming more of our agricultural

products into commodities, and whether we will be able to find the key to our puzzling "dual economic" structure. Thus, from the point of view of a coordinated development strategy for the three sectors, extensive methods will still be necessary to achieve expanded industrial reproduction. Through building and expanding, increasing our input of energy and raw and processed materials, and expanding employment of our labor force, we will be able to achieve good social and macroeconomic results.

The third coordinated relationship is the coordinated development of agriculture and the infrastructure. The infrastructure refers here to the industries that provide essential basic services to agriculture, such as transportation, communications, power, energy, and major water conservancy facilities.

Coordinated development within agriculture or between agriculture and the other sectors both require coordinated development of agriculture and the infrastructure. Since the infrastructure takes a long time to build and requires large investment, and since China's present infrastructure is quite undeveloped, state and local governments at all levels will have to take the lead in organizing construction in this sector based on economic development predictions.

In the past few years, China's agricultural product output has been large and growing, and we have emerged from a long-standing vicious circle in a few short years. This has basically resulted from such favorable policies as the joint production output-related contract system, but the agricultural infrastructure, and certain major irrigation and water conservancy facilities in particular, have also played a major role since the founding of the PRC. The appearance of the phenomenon of difficulties in selling agricultural products has been caused by problems in our agricultural product circulation system, but it has also been closely related to our material circulation facilities being backward and inadequate.

It is thus clear that in order to promote progress in transforming more of China's agricultural products into commodities and ensure the steady growth of our agricultural production, we will have to ensure development of a corresponding infrastructure. In transportation for instance, the "Rural Industrial Structure" Task Force of the State Council's Rural Development Research Center has concluded that growth in the transport volume of such things as agricultural sideline products, the agricultural means of production, and rural daily necessities is closely related to the growth of the GVAO. It has predicted that the GVAO will reach 636.54 million yuan by the year 2000, and that the corresponding transport volumes of agricultural sideline products, the agricultural means of production, and rural daily necessities will reach 657 million, 160 million, and 1.13 billion tons, respectively. The proportionate growth rates of these four targets will be approximately 1 : 13 : 0.60 : 1.27. Along with implementation of the strategy of transforming more agricultural products into commodities, the percentage of marketable agricultural products will rise faster than in the past and, thus, the freight volumes of agricultural sideline products, the agricultural means of production, and rural daily necessities will all grow faster, and corresponding improvements in communications and transportation facilities will be needed. Other infrastructures, such as major farmland capital

construction, power and energy supplies, and information systems, should also develop faster along with the transformation of more agricultural products into commodities.

The three aforementioned coordinated relationships are all essential to coordinate development of agriculture with the other sectors of the national economy. The present lack of coordination between and inappropriate development of agriculture and the other sectors of the national economy will have to be resolved by revising a series of proportional and structural relationships. The key will be to speed up development of the second and third sectors, that of the infrastructure in particular, and improve their service to agriculture.

## II. The Conditions for and Ways of Coordinating Development of Agriculture With the Other Sectors of the National Economy

In order to coordinate development of agriculture with the other sectors of the national economy and ensure that their corresponding proportional and structural relationships become more rational, the links between them will have to be improved. In other words, it will be necessary to improve such links between agriculture and the other sectors of the national economy as material exchange, labor exchange, information circulation, value transformation, and work-force circulation. In order to improve these links, it will be necessary to build an integrated socioeconomic linking medium, including material, economic, information, and social action factors. Moreover, it will be necessary to develop appropriate means to evolve and effectively develop the role of this medium. The material transport, storage, and distribution system will be the material means to achieve this; commodity exchange and credit and financial relationships will be the economic means; various tangible and intangible dissemination vehicles will be the information means.

The substance of this medium, including its various linking means, will be a complete market system. In a certain sense, after discontinuing the administrative method of direct intervention in the economic process, the major conditions for coordinating development of agriculture with the other sectors of the national economy will be market conditions, and the ways of accomplishing this will be organizing and improving the rural and urban market system. From an integrated structural and functional viewpoint, a complete market system will have to include the following conditions: an integrated structure, equality of status, an open system, complete equipment, an improved mechanism, and a rational orientation. It is thus clear that in order to form a complete rural and urban market system that enables development of agriculture to be coordinated with the other sectors of the national economy, it will be necessary to do a great deal of development, organization, and improvement work. Since the agricultural joint production output-related contract system was implemented and the self-sufficient commune system was dismantled, the agricultural household economy is no longer isolated from the market, and absolute self-sufficiency has become impossible. Thus, under these conditions good results can be achieved in developing the entire rural and urban market system.

First, it will be necessary to develop, organize, and improve the rural market system. Transforming more agricultural products into commodities, restructuring the rural sector of the economy, and forming a rural market system will be a three-in-one process. Thus, while transforming more agricultural products into commodities and restructuring the rural sector of the economy, it will be necessary to conscientiously promote the evolution and improvement of the rural market system.

1. It will be necessary to build an agricultural product market system that is open and has an improved mechanism. In this system, the prices of agricultural products will no longer be artificially stipulated, but will be determined through market competition. This will avoid the phenomena of various prices being distorted and the structure being irrational, enable producers to obtain reliable market demand information, and fully develop the reaction of consumption and circulation on production. This reaction is when the market sends out price signals to producers, reflecting differences in the amount of work they have expended and their actual input through price fluctuations. On the microeconomic level, this will spur producers to strive to raise their productivity, constantly lower costs, and improve their market competitiveness; on the macroeconomic level, it will force them to investigate their product mix and organize their production according to social needs.

2. It will be necessary to build a market for the agricultural means of production. The agricultural means of production should circulate as commodities that reflect value and market prices. On one hand, this will be necessary in urban economic reform to enable relevant production departments and enterprises to maintain equally competitive conditions with other departments and enterprises. On the other hand, regular circulation of the agricultural means of production will also enable agricultural producers to make better choices and substitutions to improve the technical efficiency and economic results of the means of production (referring to energy in particular). Moreover, it will enable the state to extend its indirect control of the circulation of agricultural products to that of the agricultural means of production.

3. It will be necessary to build agricultural technology and information markets. Only by exchanging agricultural technology and information can they be better linked to supply and demand, the past issues of technology imports being divorced from reality and transmitted information being distorted be solved, and the development of agricultural technology training and information collection, systematization, and transmission be speeded up and their rates of utilization be raised. Moreover, the state will be able to restructure agricultural production through guiding and regulating these two markets.

4. It will be necessary to build a rural labor market. Deregulation of the state-controlled rural labor market will enable the rural labor force to circulate on a larger scale and be more effectively relinked to the means of production. Allowing surplus agricultural labor to be transferred to other sectors according to market indications (with the state influencing the market orientation) will help expand the scope of management and raise agricultural labor productivity. Allowing the agricultural labor force to circulate within agriculture will enable it to be better linked to resources and provide the conditions to make the agricultural production structure more rational.

5. It will be necessary to build a rural fund market. In line with diversification of rural management and stratification of the productive forces, a diversified capital market should be built. It will be necessary to gradually substitute bank loans for direct state investment in and subsidization of agriculture, and invest what is needed to build the infrastructure for agricultural production and circulation. The state banking system should fully develop its credit regulation role in the rural economy. In other words, it should use the universal equivalent of currency to link agriculture and its related sectors into an open complex. Thus, the old centralized banking and credit management system will have to be thoroughly demolished, and the policy of seeking a balance of rural credit should be discontinued. Rural credit unions and popular, free, and diversified ways of borrowing and lending should be allowed to coexist, with credit unions being given specific rights to regulate their interest rates.

6. It will be necessary to build a mechanism for the concentration of landholdings. Through carrying out a state land-rental system and using fluctuating land prices, it will be necessary to build a dual mechanism for the concentration of landholdings, and create "market" conditions for overall land management. (Footnote 1) (Reference: "An Elementary Study of Land Nationalization Strategy" in "The Economic Research Reference," No 14, 1986)

Second, it will be necessary to vigorously develop small rural market towns. Since small market towns have a regional economic, social, and cultural radiation capacity and are the basis of the rural market system, developing them will be a major way to expand the scope of rural markets and improve and broaden the rural commodity economy. The key production factors of non-agricultural labor circulation, more productive rural fund circulation, urban industrial proliferation, and new technology dissemination will all have to use small market towns as the stage to harmonize agriculture with the other sectors of the national economy and the countryside with the cities. In particular, building small rural markets as intermediary links between cities and the various sectors of industry, agriculture, and commerce will be of major significance in effectively preventing the phenomenon of rural depressions which may occur through development.

Finally, it will be necessary to constantly develop, organize, and improve an integrated rural and urban market system. This will presuppose integrating rural and urban economic actions and exchanging key rural and urban productive forces. In order to prevent excessive erosion of rural economic resources through uncontrolled deregulation of rural and urban markets, we advocate that an integrated rural and urban market system be developed gradually. The specific way to do this will be to allow rural economic resources and their core, workers, to freely participate in urban economic activities under overall state control.

This free-flowing way of evolving an integrated rural and urban economy and, thus, a market system, will consist of three main points and be significant in three corresponding areas. First, rural economic resources will enter urban economic space, to a certain extent, as a combination which will have to be used as both daily necessities and the means of production. Thus, demand

(the limits of urban economic space) and supply (the amount of surplus rural economic resources) will restrict the flow of rural resources into the cities. This flow will be a development indicator. In other words, all key economic resources that enter urban economic space will stimulate demand through their own motion and their effect on the relevant urban sectors, and their amount will spur improvements in urban economic development and the infrastructure that supplies daily necessities and, thus, expansion and improvement of the market system. This will raise the amount of rural economic resources that can enter the cities. Second, this cycle will gradually improve through constant social and economic choices. The urban and rural market system will also continue to improve through these choices, and a market system model suited to China's national conditions will result. Third, the exchange of economic resources between the countryside and cities will snowball, and both sides will share in the results. For instance, as rural economic resources flow back and forth, every round will improve the quality or increase the quantity of the key rural productive forces. Returning workers will raise the rural technical standards and management capacity, returning funds will increase in value, land will be used more intensively and, moreover, a new sense of value suited to modernization will be aroused. The results will snowball and be shared in greater amounts, economic exchange between the countryside and cities will expand, and an improved rural and urban market system will develop in the process.

12267/8309  
CSO: 4006/574

## INCREASE IN COTTON PROCUREMENT PRICE URGED

Nanchang JIAGE YUEKAN [PRICING MONTHLY] in Chinese No 5, 15 May 87 pp 19-21

[Article by Wu Nanbing [0702 0589 1456]: "Several Problems in Cotton Procurement Policies That Merit Attention"]

[Text] Cotton is the principal raw material for the country's textiles, and it holds a very important position in the national economy. Following the 3rd Plenum of the 11th Central Committee, the problem of clothing the people, for which a solution had long been hoped but for which no solution had ever been found, was pretty well solved. Finally self-sufficiency in cotton with some surplus was realized to bring the rationing of cotton to an end. This was a major event of important historical significance and far reaching effects. Statistics show cotton output nationally to have been 70 million dan in 1982, output and sales achieving a balance with some surplus for that year. From this time forward, no longer did the Chinese people have to import cotton. In 1983, output was 92 million dan, double the 1978 amount, and vaulting China into first place in the world. In 1984, another bumper cotton crop was harvested, output reaching 120 million dan and exceeding domestic market needs for the time being. In 1985, the state consciously reduced by 20 million mu the area sown to cotton, while at the same time natural disasters struck cotton production in Henan, Hebei and Shandong provinces causing great damage, a lowering of cotton grades, and a reduction of output. Cotton output for the country as a whole was only approximately 70 million dan. In 1986, the cotton growing area was further reduced, gross output of cotton falling 14.6 percent from 1985. In Jiangxi Province, the situation was similar to the situation in the country as a whole. Beginning in 1984, the cotton growing area had reduced year by year and cotton output had declined year by year. In 1984, the province's cotton growing area totaled 1,189,000 mu; in 1985 only 995,300 mu was grown; and in 1986 the area was nearly 950,000 mu. In 1987, the planned cotton growing quota calls for 1 million mu, only 80 percent of which has been planted so far. In 1984 output for the whole province was 1.38 million dan, which fell to 1.24 million dan in 1985. In 1986, only 1.1 million dan was produced. Comparison of 1986 with 1984 shows a 25 percent reduction in the cotton growing area and a 25.5 percent decline in output. The foregoing shows that a dramatic decrease has taken place in cotton output in terms of both the country as a whole and a single province. Consequently, I believe that now is the time for a restudy of cotton policies, and that appropriate actions should be taken to stabilize and expand cotton production

in order to head off another situation of consuming "foreign cotton." This article will explore this problem somewhat.

#### Major Reasons For the Year-by-Year Reduction in the Cotton Growing Area and the Year-by-Year Decline in Output During the Past Several Years

1. The elimination of award sales for growing cotton very greatly decreased cotton farmers' real income. When a "direct 4:6" proportional price was instituted in 1984 for the procurement of cotton [i.e., the price paid producers for their cotton being based 40 percent on the state purchase price and 60 percent on the excess purchase price], the procurement price paid for southern standard grade ginned cotton was 163.30 yuan per 100 jin, plus an award sale of rice. For sales of less than the 100 jin base figure, the price differential was 8.35 yuan more than the market price. For 200 jin in excess of plan, the price differential was 59.20 yuan more than the market price. Award sales of materials per dan of cotton for the year converted to money terms amounted to 41.73 yuan. Thus, the actual procurement price for cotton in 1984 was 205.03 yuan. The abolition of award sales in 1985, however, put a severe squeeze on cotton grades, with the result that the actual procurement price for cotton throughout the province in 1985 was 157.83 yuan per dan, or 3.5 percent lower than the standard grade procurement price. Thus, the real income of cotton farmers in the province was 30 percent less than in 1984.
2. After grain rations for cotton farmers were changed from a uniform sale price of 9.50 yuan per jin to an "inverted 3:7" proportional price of 15.59 yuan [i.e., the purchase price being based 40 percent on the state purchase price and 70 percent on the excess purchase price], a survey conducted in Pengze, a key cotton producing county in Jiangxi Province, showed cotton farmers as having to pay an additional 20.94 yuan for grain, which amounted to a 27.88 yuan increased burden per mu of cotton, or a 15.67 percent per dan decrease in the state procurement price paid for ginned cotton. This was 9.6 percent of the 163.30 yuan paid for standard grade cotton.
3. The rise in cotton production costs reduced cotton farmers' real income. In recent years, the state has several times readjusted prices for the agricultural means of production, particularly prices for pesticides, chemical fertilizer, and diesel fuel, and these readjustments have had a direct impact on cotton production costs. In Jiangxi Province, cotton production costs were 107.28 yuan per mu in 1983, 55.58 yuan of which was for materials. In 1985, however, production costs rose to 161.54 yuan per mu in a 50.6 percent increase over 1983, 70.22 yuan of which was for materials, a 26.3 percent rise over 1983. Comparison of 1985 with 1983 shows a nearly 60 percent per mu decline in net earnings from the growing of cotton (figured in terms of equivalent yields per mu).
4. Proportional prices for cotton and grain also underwent change. In 1984, for example, the actual average procurement price for paddy was 15.89 yuan per shijin, and the actual procurement price for cotton that year was 205.03 yuan, the price ratio between cotton and grain being 1 to 12.9. In 1985, the "inverted 3:7" proportional price for standard grade paddy was 15.59 yuan, and the proportional price for standard grade cotton was 163.30 yuan, a price

ratio of 1 to 10.47, or a 2.43 yuan decrease from 1984. This is to say that in 1985 100 jin of cotton fetched 2.43 jin less of paddy than in 1984.

For the aforesated four reasons, peasants did not want to grow cotton, and cotton production fell year by year. It will take a readjustment of cotton production plans and policies to reverse this situation.

### 1. Need To Establish Policies For Steady Development of Cotton Production

China has been a major cotton growing and cotton using country for a long time. Right up to the present day, most of the clothing people wear is made of cotton. Of the 249.57 million meters of textiles sold in Jiangxi Province in 1986, 119.78 million meters, or 48 percent of total

cloth; 85.29 million meters of mixed cotton and chemical fibers, or 34 percent of total sales, were sold. Sales of 31.44 million meters of pure chemical fibers amounted to 13 percent of total sales. The sale of 4.96 million meters of woolen cloth amounted to 2 percent of total sales. The sale of 7.8 million meters of silk amounted to 3 percent of total sales. The ratio of sales in other provinces and cities throughout the country were generally the same as for Jiangxi. This shows that pure cotton textiles and mixed cotton and chemical fiber textiles form the bulk of fabrics worn by the people. Potential for cotton exports is also very great. Beginning in 1983, China exported a total of 12.4 million dan of cotton over a 3 year period earning more than 800 million yuan thereby. Estimates show the export of as much as 9 million dan during 1986. These exports have vaulted China from a position of cotton importer to the world's third largest cotton exporter after the U.S.S.R. and the United States. A look at the domestic and foreign need for cotton shows that it is entirely necessary for China to produce more cotton in order to satisfy domestic market and export needs. Accomplishing this will require the establishment of a policy for steady development of cotton production, doing a good job in all regards, and calling on the peasants to plant more cotton and grow good quality cotton.

### 2. Some Policies For the Readjustment of Cotton Prices

#### a. Need For Proper Readjustment of Cotton Procurement Price Policies

I believe that the highly inequitable prices paid for cotton in north and south China will have to be unified. The "direct 4:6" price of 163.30 yuan paid for cotton in south China should be readjusted to the "inverted 3:7" proportional price of 176.42 paid for cotton in north China. This would result in the price paid for cotton in south China being increased 13.12 yuan for an 8 percent increase. Using the 1987 planned procurement figure of 1.2 million dan in Jiangxi Province as an example, cotton farmers would realize a 15,744,000 yuan increase in income. Second should be a readjustment of cotton seed procurement prices. The current cotton seed procurement price has not been readjusted since 1979. If the current premium cotton seed procurement price of 10 yuan per 100 jin were to be increased to a "direct 4:6" proportional price, it would still only be 12 yuan. This seems extraordinarily unfair in comparison with other oil-bearing crops. Take the rape seed procurement price, for example, which was readjusted in 1986 from the "inverted 4:6" to a "direct 3:7," proportional price, making a purchase

price of 49 yuan per dan. The markedly low price paid for cotton seeds hurts state control over the sources of supply. An additional 50 percent increase over the existing base procurement price of cotton seeds would be about right, i.e., an increase from 12 yuan to 18 yuan per dan. On the basis of a 1 to 1.75 ratio between ginned cotton and cotton seeds, an increase in the price of cotton seeds alone would mean a 12.6 million yuan increase in earnings for Jiangxi cotton farmers. Thus, as a result of the readjustment of both ginned cotton and cotton seed prices, cotton farmers in the province as a whole would realize a total income increase of 28.34 million yuan. With a planned cotton growing area of 1 million jin for 1987, this would mean an average income increase of 28.34 yuan per mu.

b. Need To Revive Cotton Growing Award Sales Policy

Practice has shown the national policy of award sales for the growing of cotton to have been an important inducement helpful in regulating production, in encouraging peasants to grow more cotton and sell more cotton, and make a greater contribution to the country. In 1985, Jiangxi Province abolished award sales of grain, chemical fertilizer and timber for the growing of cotton. This meant a 45.06 million yuan decrease in cotton farmers income for the province as a whole figured on the basis of a 1985 actual procurement of 1.08 million dan of cotton at a 1984 converted value figure for award sales of 41.73 yuan per dan of cotton. If cotton output is to be expanded now, revival of the award sales policy is a fairly good way in which to encourage peasants to plant more cotton and grow good quality cotton.

c. Need to Synchronize Supply Policy With Procurement Policy

Cotton procurement policy has a bearing on cotton farmers' interests. Cotton policy has a bearing on the interests of the cotton textile industry. Business is the operating unit for cotton and a link in circulation. It holds two industries in the palm of its hand, one being agriculture and the other being industry. Generally speaking, cotton production is the foundation; however, changing needs of the industrial sector also have a direct effect on cotton production. During the past several years, for example, when cotton supply has exceeded demand and production has been greater than sales, those who use cotton have made very many harsh demands. Some have tried to buy cotton at the price paid for cotton of a lower grade; some have tried to get free delivery; and some have refused to buy high grade long fiber cotton etc. These were, in effect, efforts to use the temporary greater supply than demand for cotton as an opportunity to depress the price at which cotton was supplied to the textile industry. This produced both a reaction on those engaged in the cotton business, and those engaged in producing cotton, and brought about "difficulty in selling cotton" and no desire to grow cotton. Therefore, the textile cotton supply price and the cotton procurement price have to be uniformly controlled and regulation synchronized. There positively can be no controlling to death of procurement prices while opening up supply prices. The use of cotton in industry should be supplied by businesses according to plan, and the selection of cotton for procurement by industry has to be done according to plan in order to stabilize cotton production.

d. Gradual Improvement of Relations Between Cotton Dealers and Cotton Farmers

Cotton producers and cotton dealers should unite on the basis of economic interest to strengthen lateral cooperation and change the former procurement and market relationship of one selling and the other buying. Two ways may be used as follows: One is for cotton dealing units to distribute a portion of their year-end net profits to peasants selling cotton to increase cotton farmer's earnings. Another method is formation of a consignment agent relationship to increase cotton farmers' income. Both of these methods would help stir cotton farmers' enthusiasm for production, with the result that the peasants would not only be concerned about production, but would also be concerned about changes in market demand for a strengthening of relations between agriculture and commerce.

9432  
CSO: 4006/806

## HUNAN GOVERNOR URGES EFFORTS IN RICE PRODUCTION

HK070123 Changsha Hunan Provincial Service in Mandarin 0000 GMT 7 Jul 87

[Excerpts] Governor Xiong Qingquan recently put forward important views on the province's late rice production. He said: All localities must do a thoroughly good job in preparing for the late rice crop while stepping up the final-stage tending of the early crop, and do everything possible to ensure the sown area and expand the hybrid rice area. The leaders at all levels must seriously learn the lesson of the Daxinganling forest fire, oppose bureaucratism, base their efforts on fighting natural disasters to reap a bumper harvest, and ensure steady growth in the province's grain production.

Hunan's early rice production has encountered very great difficulties this year. The cold weather in April and May, overcast and wet weather in June, plus the reduction in the sown area and the chemical fertilizer shortage have affected 15 million mu of early rice in varying degrees. This has aroused a high degree of attention on the part of the party and government at all levels in the province.

In order to ensure a bumper late rice harvest, the provincial government has ordered the provincial planning commission to organize the departments concerned to ship a further 100,000 tons of chemical fertilizer to the rural areas as soon as possible, to meet the requirements of the crop.

According to statistics of the end of June, the province had firmed up a late rice area of 29 million mu, including 22 million mu of hybrid rice, an increase of 3 million mu over last year.

/12913  
CSO: 4006/821

## XINJIANG MEETING ON CORRECTING ANOMALIES IN GRAIN CONTRACTS

HK050237 Urumqi Xinyiang Regional Service in Mandarin 1200 GMT 4 Jul 87

[Excerpts] The regional government held a conference this morning which called on all localities to continue to get a good grasp of organizing grain procurement contracts and supplying the linked chemical fertilizer and diesel fuel and issuing prepayment deposits. The peasants should truly derive tangible benefit from this policy, so as to boost the reserve strength for developing grain production.

This year the regional agricultural production materials company, petroleum company, and agricultural bank have done quite a good job in supplying chemical fertilizer, diesel fuel, and prepayment deposits linked to the grain procurement contracts. By the end of May the regional agricultural bank had paid out 34 million yuan in such deposits, half the amount to be paid out.

According to reports from various places, the main problem in this system is that certain grass-roots supply and marketing cooperatives and petroleum companies find this work a nuisance. Prepayment deposits have not yet reached the peasants in some areas even now. In certain places, chemical fertilizer earmarked for distribution against grain contracts has been misappropriated. The departments concerned must pay attention to these problems. The supply and marketing departments and the petroleum departments must further improve their service and continue to grasp the work of distributing chemical fertilizer and diesel fuel.

The regional authorities have decided that two work teams will soon be sent to northern and southern Xinjiang to check on the implementation of the policy of linking chemical fertilizer, diesel fuel, and prepayment deposits to grain contracts.

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## BRIEFS

HEILONGJIANG PADDY RICE FIELDS--This year Heilongjiang Province's paddy rice acreage exceeded 10 million mu, 1.5 million mu more than last year and nearly 2 times that of 1983. According to statistics, the province still has more than 30 million mu of low-lying land, of which much is suitable for rice growing. [Excerpts] [Harbin Heilongjiang Provincial Service in Mandarin 2100 GMT 3 Jul 87 SK] /12913

SHANDONG SUMMER GRAIN PURCHASES--Summer grain purchases are now in full swing in Shandong Province. According to statistics released by the provincial grain bureau, by 30 June the province had purchased 1.445 million tons of wheat, amounting to 64.5 percent of the plan. [Excerpt] [Jinan Shandong Provincial Service in Mandarin 2200 GMT 3 Jul 87 SK] /12913

HENAN BUMPER SUMMER HARVEST--Henan has reaped a bumper summer grain harvest. Total wheat output was 32.47 billion jin, an increase of 570 million jin over last year and the second best ever recorded. This was achieved despite heavy rain since early May, which reduced output to below the predicted level. [Summary] [Zhengzhou Henan Provincial Service in Mandarin 2200 GMT 2 Jul 87 HK] /12913

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MILITARY, PUBLIC SECURITY

2D ARTILLERY LOGISTICS, ENGINEERING ACHIEVEMENTS

Logistics Research

Beijing JIEFANGJUN BAO in Chinese 26 Apr 87 p 1

[Article by Zhang Jiajun [1728 1367 6511]: "Scientific Research Units of 2d Artillery Corps Logistics Obtain a Series of Results in Maintaining Service for Units"]

[Text] The scientific research work of the 2d Artillery Corps logistics, which has been praised by the departments of the PLA General Logistics Department as work that "started late but became highly effective," in the short period of a little over 1 year obtained 59 important results in scientific research innovation, including those in logistics equipment research, position life support, special work services, health protection against nuclear and chemical attacks, and environmental control. An academic meeting on 2d Artillery logistics S&T, held from 10 to 13 April, summed up more than 1 year of practical experiences and concluded that the scientific research units and the scientists and technicians in the armed forces must conscientiously read this "service classic."

Since the 2d Artillery Corps was formed more than 20 years ago, there has been a great development in its weapons and equipment, but the technical level of its logistics equipment is far from meeting needs. This is in contrast to its strong call for S&T. Under the guidance of the policy of having S&T serve the units and serve strategy, the scientific research units of the 2d Artillery Corps have adjusted the S&T forces and have made experiments and tackled key logistics scientific research projects. In the past 1 year's time, a large group of important S&T results have been obtained. The waste-liquid treatment and waste-water treatment devices developed by the Barracks Department and a certain research institute, the "radiation health protection" device developed by the Health Department, and the first-aid kit for treating accidents developed by the Protection and Epidemic Prevention Team have improved the units' capability for special protection, medical treatment and cure, and pollution control. A number of results have also been obtained in research on complete sets of facilities for position life, individual uniform and gear, and field equipment.

Engineering Regiment Cited

Beijing JIEFANGJUN BAO in Chinese 24 Apr 87 p 1

[Report by Guo Qingsheng [6753 1987 3932] and Zhang Jiajun [1728 1367 6511]: "Making Remote Mountains Their Home, Taking Difficult Circumstances as an Honor"]

[Text] The officers and men of a certain regiment of the 2d Artillery Corps that has been charged with formidable construction tasks have displayed the spirit of arduous struggle, overfulfilling their construction tasks for 3 years in succession. The regiment has been appraised by the 2d Artillery Corps as an "advanced regiment in national defense construction." Not long ago, Li Xuge [2621 2485 7041], commander, and Liu Lifeng [0491 4539 1409], political commissar, of the 2d Artillery Corps signed an order giving this regiment a citation, third class, for collective meritorious services.

Making remote mountains their home and taking difficult circumstances as an honor, and wholeheartedly serving national defense projects, the officers and men of this regiment have displayed a spirit of selfless dedication. The temperature at their project construction site is often 25 degrees below zero centigrade. Without electricity, water, vegetables, and regular living quarters, the cadres and fighters live crowded together in thatched shacks and simply built buildings. The regiment's party committee has called on all officers and men to overcome difficulties and vanquish the severe cold. Many cadres and fighters who get frostbitten refuse to leave the "firing line." Some comrades, because they cannot get green vegetables to eat, develop oral ulcerations, but their vigor does not diminish in the slightest. In winter the temperature drops precipitously, and the clothing and the caps of the fighters freeze into icy coats of mail and icy helmets, but their morale remains high. In between the rocks of some tunnels are coal seams, and after a day's construction work the fighters are black from head to foot, but they never grumble. Because of the arduous efforts made by all cadres and fighters in this regiment, its project was completed a year ahead of schedule, setting a record for good quality and fast progress among projects of the same type.

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MILITARY, PUBLIC SECURITY

RPV, OTHER NEW DEVICES USED IN TACTICAL TRAINING

Beijing JIEFANGJUN BAO in Chinese 30 Apr 87 p 1

[Report by Zhao Xianfeng [6392 7145 1496]: "New Equipment for Overall Training Issued to Units in Succession"]

[Text] This year there will be new developments in the units' overall training. In the middle and last parts of April, a batch of new equipment for overall training of advanced performance was issued in succession by the Military Training Department of the PLA General Staff Department to units throughout the PLA. Training professionals think that this will, to a certain extent, change the backward state of the means for tactical training in the PLA, heighten the interest in and enthusiasm for training on the part of the great number of officers and men, and make exciting the overall training that is about to begin.

It is reported that this batch of new equipment includes the "laser simulation two-sided training system for fending off tactics," which many basic-level cadres and fighters have been hoping to get. The part of a PLA Army division that is tasked with training missions can get a set of tactical two-sided training equipment for use by companies and platoons. All the infantry coaching regiments will be able to get equipment that squads and platoons can use in two-sided training. It is estimated that this year several thousand companies in the PLA will bid farewell to training in exercises that "pit the sham against the sham," and will use this advanced equipment to conduct two-sided training exercises that are similar to actual combat. In addition, some infantry regiments will get a target display system for infantry squad tactics and three remotely piloted vehicles [RPV]. In the target display system, 1 man remotely controls and operates 10 targets, which act as the notional enemy. Based on the exercise's directing plan, the system can remotely control the exposure of human-silhouette targets, the firing of enemy weapons, the simulated display of an enemy-contaminated sector, an artillery blocking fire zone, the confusion caused by a smokescreen, and many other tactical situations. During training it can be used in conjunction with laser simulation equipment, and can also be provided to infantry squads and platoons for use in live-ammunition tactical exercises. The "remotely piloted vehicle," which is made of fiberglass and which is easy to operate, can, during a combined arms tactical exercise at the regimental level and above, simulate in a lifelike manner the tactical movements of the Red and Blue air arms, thereby adding an atmosphere of three-dimensional combined arms operations to the exercise.

IMPORTANCE OF LOCAL CONFLICTS, RESERVE STRENGTH

Beijing JIEFANGJUN BAO in Chinese 12 Jun 87 p 3

[Article by Ren Yinglai [0117 2019 0271]: "Local Wars and the Building of Reserve Forces"]

[Text] The building of reserve forces is an important component part of the national defense development strategy. In recent years some comrades have thought: the main threat in the future and at present is local wars, so in national defense building the main thing is the standing army, and the building of reserve forces is not all that important. Not to mention the fact that our analysis and forecast of future wars awaits further deepening, and even if we base our analysis and forecast on local wars, the building of reserves is still an extremely important issue.

Putting it simply, a local war is an integration of many kinds of limitations, namely, limiting time and space, using limited military force, taking limited action, and pursuing and achieving limited strategic objectives. Compared with a world war, one of the outstanding characteristics of this kind of war is that it is "small," and so some people call it a "small war." However, for a given country, viewed from its perspective, a "small war" is sometimes not small.

According to their nature, local wars may be divided into many types. With "the world getting smaller and smaller," in the contemporary world in which international relations are complex, local wars are more and more being waged against an international background of "pulling one hair and the whole body is affected"--a slight move in one part may affect the situation as a whole. How a local war is fought and what its results are are often linked to the national and military prowess of one country and its image and role in international affairs. It is precisely the action of "putting on a playlet" against this great background that often makes it necessary to take a posture of controlling small-scale fighting but not fearing to engage in large-scale fighting. Moreover, in dealing with local incidents against the great background, there is really the question of the need to prevent the expansion of the incident and a chain reaction. Therefore, it will not do to not have a successful war mobilization. From a look at the local wars that have occurred in the world since history entered the eighties, we see that a prominent characteristic is the marked inequality in scale between the mobilization of

reserve troops and the troops directly engaged in the war. In this characteristic of small-scale war and large-scale mobilization, there is an aspect of war and also an aspect of "view." In a local war, the specific space in which it is fought is very limited, but the area it involves is very large. During the war, the stability of the situation must be maintained, its variable nature must be controlled, and it must be contained so as to prevent it from becoming a medium-sized or big war. It will not do to not have a deterrent shield. In addition, in a war under modern conditions, consumption is large, and even if one is dealing with a small war one needs to lay the foundation for the capability of powerful economic support. War mobilization is not only a question of "going to the front," but is also a question of promoting production.

In recent years, after every local war in the world, like people awakened from slumber by a bugle call in the early morning, strategists have been forced to rethink their ideas about the future. People more and more clearly see: because high-tech weapons are appearing on the battlefields of local wars, an objective material basis is provided for making new operational patterns and measures in small wars. At the same time, waging a war within a local scope provides a certain "point" for concentrating and using sophisticated weapons. Therefore, in the defense of a "sensitive point," the question of turning stockpiled capability into actual strength is closely related to war mobilization.

The peculiar complexity of China's peripheral environment demands that people come up with new ideas about national defense construction. The building of reserve forces included in the national defense development strategy not only is especially important, but also requires an adaptation to the tendencies in the environment and to the evolution of war, and a constant replenishment of new content. For example, the improvement of the quality of reserve military officers, the establishment of the mobilization law and the rapid mobilization system, the training in all-people's national defense, and the forming of high-quality reserve forces are all worth considering from the high plane of national defense development strategy.

The national economic strength decides the scale and speed of building reserve forces. The degree of universal national education and the state of hygiene and medical treatment decide the educational and physical quality of the reserve troops. The state's capacity in signal communication and in communication and transportation decides the speed of wartime mobilization. To sum up in a word, the degree of strength in building reserve forces depends on the overall national strength. Enhancing the overall national strength means strengthening the reserve forces themselves. Adversely affecting or weakening the overall national strength, without a doubt, is a case of self-inflicted damage. Therefore, in enhancing the building of reserve forces, we must keep in mind the improvement of the overall strength, the integration of peacetime and wartime, and the military-civilian compatibility. Powerful reserve forces are contained in a powerful national strength.

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